



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PUBLIC MEETING NOTICE FOR THE MOBILITY STAKEHOLDER GROUP (MSG),
COMMITTEE ON PROFESSIONAL CONDUCT (CPC), ENFORCEMENT PROGRAM
OVERSIGHT COMMITTEE (EPOC), LEGISLATIVE COMMITTEE (LC) AND CBA
MEETINGS**

-
- DATE:** Thursday, March 20, 2014 **MSG MEETING**
TIME: 9:00 a.m.
- DATE:** Thursday, March 20, 2014 **CPC MEETING**
TIME: 11:00 a.m. or upon adjournment
of the MSG meeting.
- DATE:** Thursday, March 20, 2014 **EPOC MEETING**
TIME: 11:30 a.m. or upon adjournment
of the CPC meeting.
- DATE:** Thursday, March 20, 2014 **LC MEETING**
TIME: 1:30 p.m. or upon adjournment of
the EPOC meeting.
- DATE:** Thursday, March 20, 2014 **CBA MEETING**
TIME: 2:00 p.m. to 5:00 p.m.
- DATE:** Friday, March 21, 2014 **CBA MEETING**
TIME: 9:00 a.m. to 3:00 p.m.
- PLACE:** **Hilton Pasadena**
168 South 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 MSG, CPC, EPOC, LC and CBA meetings on March 20-21, 2014. For further information regarding these meetings, please contact:

Corey Riordan, Board Relations Analyst
(916) 561-1716 or cfriordan@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 May 29-30, 2014 in Southern 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 Corey Riordan at (916) 561-1718, or email cfriordan@cba.ca.gov, or send a written request to the CBA Office at 2000 Evergreen Street, Ste. 250, Sacramento, CA 95815. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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

**CBA MEETING
AGENDA**

**March 20, 2014
2:00 p.m. – 5:00 p.m.**

**March 21, 2014
9:00 a.m. – 3:00 p.m.**

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

Important Notice to the Public

All times indicated, other than those identified as "time certain," are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the CBA President. Agenda items scheduled for a particular day may be moved to an earlier day to facilitate the CBA's business.

**Thursday,
March 20, 2014**

**2:00 p.m. –
3:15 p.m.**

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

- I. Report of the President (**Michael Savoy**).
 - A. Resolution for Retired CBA Member Marshal Oldman.
 - B. Resolutions for Retiring Qualification Committee Members Brian Cates and Lewis Fisher.
 - C. Announcement of Appointments to the Mobility Stakeholder Group.
 - D. National Association of State Boards of Accountancy (NASBA)/ American Institute of Certified Public Accountants (AICPA) Committee Interest Form.

- E. Proposed 2015 CBA Meeting Dates (**Corey Riordan, Board Relations Analyst**).
- F. Educational Presentation – Enforcement Division Overview (**Rafael Ixta, Enforcement Chief/Sara Narvaez, Enforcement Manager/Paul Fisher, Supervising Investigative CPA**).
- G. DCA Director’s Report (**DCA Representative**).

- 1. Update on BreEZe.

3:15 p.m. –
3:30 p.m.

- II. Report of the Vice President (**Jose Campos**).
 - A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee (EAC).
 - 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).

3:30 p.m. –
4:00 p.m.

- III. Report of the Secretary/Treasurer (**Katrina Salazar**).
 - A. Fiscal Year 2013-2014 Mid-Year Financial Statement, Including Information on Anticipated Loan Repayment Dates.
 - B. Discussion of Governor’s Budget.

4:00 p.m. –
4:30 p.m.

- IV. Report on the Enforcement Advisory Committee, Qualifications Committee and Peer Review Oversight Committee.
 - A. Enforcement Advisory Committee (EAC) (**Cheryl Gerhardt, Chair/Herschel Elkins, CBA Member Liaison**).
 - 1. Report of the January 30, 2014 EAC Meeting.
 - B. Qualifications Committee (QC) (**Maurice Eckley, Chair/K.T. Leung, CBA Member Liaison**).
 - There is no report for this item.
 - C. Peer Review Oversight Committee (PROC) (**Nancy Corrigan, Chair**).
 - 1. Report of the January 31, 2014 PROC Meeting.
 - 2. 2013 PROC Annual Report.

4:30 p.m. –
5:00 p.m.

- V. Report of the Executive Officer (EO) (**Patti Bowers**).
 - A. Update on the Relocation of the CBA's Principal Office.
 - B. Update on Staffing.
 - C. Update on the CBA 2013–2015 Communications and Outreach Plan (Written Report Only).

Friday,
March 21, 2014
9:00 a.m. –
11:00 a.m.

- VI. Committee Reports.
 - A. Mobility Stakeholder Group (MSG) (**Katrina Salazar**).
 - 1. Overview of the Purpose and Role of the MSG.
 - 2. Adoption of Policies and Procedures for the MSG.
 - 3. Discussion Regarding Proposed Agenda Items for Next Meeting.
 - B. Committee on Professional Conduct (CPC) (**Jose Campos**).
 - 1. Report of the March 20, 2014 CPC Meeting.
 - 2. Discussion Regarding National Data Collection on Other State Boards of Accountancy Attest Requirement.
 - 3. Discussion Regarding Business and Professions Code Section 5087 – Reciprocity of License from Another State; Waiver of Examination Requirements.
 - C. Enforcement Program Oversight Committee (EPOC) (**Alicia Berhow**).
 - 1. Report of the January 23, 2014 EPOC Meeting.
 - 2. Discussion Regarding Probation Monitoring of Out-of-State Certified Public Accountants.
 - 3. Discussion of Recommended Changes to the Disciplinary Guidelines and Model Orders Regarding Changes to Business and Professions Code Section 5096(e)(10) – Notification of Pending Criminal Charges for Practice Privilege Holders.
 - D. Legislative Committee (LC) (**Larry Kaplan**).
 - 1. Report of the March 20, 2014 LC Meeting.

2. Update on Legislation on Which the CBA Has Taken a Position (AB 186, SB 176).
3. Consideration of Positions on Newly Introduced Legislation.
 - a. AB 1702 – Professions and vocations: incarceration.
 - b. AB 2058 – Open meetings.
 - c. AB 2147 – Privacy: personal information: agency disclosure.
 - d. AB 2165 – Professions and vocations: licenses.
 - e. AB 2507 – Public Records Act: exemptions: pending litigation.
4. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.

**11:00 a.m. –
11:10 a.m.**

- VII. Report of the Licensing Chief (**Dominic Franzella**).
- A. Report on Licensing Division Activity.

**11:10 a.m. –
11:30 a.m.**

- VIII. Report of the Enforcement Chief (**Rafael Ixta**).
- A. Enforcement Activity Report.

**11:30 a.m. –
11:40 a.m.**

- IX. Acceptance of Minutes.
- A. Draft Minutes of the November 21-22, 2013 CBA Meeting.
- B. Draft Minutes of the January 23-24, 2014 CBA Meeting.
- C. Minutes of the January 23, 2014 CPC Meeting.
- D. Minutes of the January 23, 2014 EPOC Meeting.
- E. Minutes of the January 23, 2014 LC Meeting.
- F. Minutes of the December 12, 2013 EAC Meeting.
- G. Minutes of the November 1, 2013 PROC Meeting.
- H. Minutes of the September 26, 2013 Taskforce Meeting.

**11:40 a.m. –
11:50 a.m.**

- X. 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, Former CBA Member).

C. Proposed Responses to NASBA Focus Questions **(Corey Riordan).**

**11:50 a.m. –
12:00 p.m.**

XI. Closing Business.

A. Public Comments.*

B. Agenda Items for Future CBA Meetings.

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

**12:00 p.m. –
1:30 p.m.**

Lunch

**1:30 p.m. –
3:00 p.m.**

XII. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, Reconsideration of Board's Decision, and Decision after Non-Adoption).

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 Meeting Act, all meetings of the CBA are open to the public. While the CBA intends to webcast this meeting, it may not be possible to webcast the entire open meeting due to limitations on resources.

*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the CBA prior to the CBA taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the CBA, but the CBA President may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the CBA to discuss items not on the agenda; however, the CBA can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 MOBILITY STAKEHOLDER GROUP (MSG)**

**MSG MEETING
 AGENDA**

**Thursday, March 20, 2014
 9:00 a.m.**

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

	<u>CBA Item #</u>
Roll Call and Call to Order (Katrina Salazar, Chair).	
I. Welcome and Introductions of Members (Katrina Salazar).	
II. Overview of the Purpose and Role of the MSG (Katrina Salazar).	VI.A.1.
III. Adoption of Policies and Procedures for the MSG (Matthew Stanley, Legislation Analyst).	VI.A.2.
IV. Discussion Regarding Proposed Agenda Items for Next Meeting (Matthew Stanley).	VI.A.3.
VI. Public Comments.*	
Adjournment	

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



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

**CPC MEETING
 AGENDA**

**Thursday, March 20, 2014
 11:00 a.m.**

Or Upon Adjournment of the Mobility Stakeholder Group Meeting

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

Roll Call and Call to Order (**Jose Campos, Chair**).

CBA Item #

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|------|--|---------|
| I. | Approve Minutes of the January 23, 2014 CPC Meeting. | IX.C. |
| II. | Discussion Regarding National Data Collection on Other State Boards of Accountancy Attest Requirement (Matthew Stanley, Legislation Analyst). | VI.B.2. |
| III. | Discussion Regarding Business and Professions Code Section 5087 – Reciprocity of License from Another State; Waiver of Examination Requirements (Dominic Franzella, Licensing Chief). | VI.B.3. |
| IV. | Public Comments.* | |
| V. | Agenda Items for Next Meeting. | |

Adjournment

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

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

CBA members who are not members of the CPC may be attending the meeting. However, if a majority of members of the full board are present at the CPC meeting, members who are not CPC members 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, March 20, 2014
 11:30 a.m.**

Or Upon Adjournment of the Committee on Professional Conduct Meeting

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

Roll Call and Call to Order (**Alicia Berhow, Chair**).

CBA Item #

- | | | |
|------|---|---------|
| I. | Approve Minutes of the January 23, 2014 EPOC Meeting. | IX.D. |
| II. | Discussion Regarding Probation Monitoring of Out-of-State Certified Public Accountants. (Vincent Johnston, Enforcement Analyst). | VI.C.2. |
| III. | Discussion of Recommended Changes to the Disciplinary Guidelines and Model Orders Regarding Changes to Business and Professions Code Section 5096(e)(10) – Notification of Pending Criminal Charges for Practice Privilege Holders. (Rafael Ixta). | VI.C.3. |
| IV. | Public Comments.* | |
| V. | Agenda Items for Next Meeting. | |

Adjournment

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting 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 EPOC members may attend the meeting only as observers.



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

**LC MEETING
 AGENDA**

**Thursday, March 20, 2014
 1:30 p.m.**

Or Upon Adjournment of the Enforcement Program Oversight Committee Meeting

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

	<u>CBA Item #</u>
Roll Call and Call to Order (Larry Kaplan, Chair).	
I. Approve Minutes of the January 23, 2014 LC Meeting.	IX.E.
II. Update on Legislation on Which the CBA Has Taken a Position (AB 186, SB 176) (Matthew Stanley, Legislation Analyst).	VI.D.2.
III. Consideration of Positions on Newly Introduced Legislation. (Matthew Stanley).	VI.D.3.
A. AB 1702 – Professions and vocations: incarceration.	VI.D.3.a
B. AB 2058 – Open meetings.	VI.D.3.b
C. AB 2147 – Privacy: personal information: agency disclosure.	VI.D.3.c
D. AB 2165 – Professions and vocations: licenses.	VI.D.3.d
E. AB 2507 – Public Records Act: exemptions: pending litigation.	VI.D.3.e
IV. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.	VI.D.4.
V. Public Comments.*	
VI. Agenda Items for Next Meeting.	

Adjournment

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

CBA members who are not members of the LC may be attending the meeting. However, if a majority of members of the full board are present

Department of Consumer Affairs

California Board of Accountancy



RESOLUTION

WHEREAS, Marshal A. Oldman, Esq. was appointed by Governor Arnold Schwarzenegger, and he has faithfully served as a Board member of the California Board of Accountancy from March 1, 2007, through January 15, 2014; and

WHEREAS, he served as President in 2012, Vice President in 2011, Secretary/Treasurer in 2010 and as Chair of the Committee on Professional Conduct, Chair of the Guidelines and Procedures Committee, member of the Enforcement Program Oversight Committee and the Taskforce to Examine Experience for CPA Licensure, and as CBA liaison to the Qualifications Committee, and;

WHEREAS, throughout his term of service, at all times Marshal A. Oldman, Esq. gave fully of himself and his ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and

WHEREAS, Marshal A. Oldman, Esq. has more than 37 years of professional experience as an Attorney, and he currently serves as Partner of Oldman, Cooley, Sallus, Gold, Birnberg & Coleman, L.L.P.; and

WHEREAS, he serves as a member of the National Association of State Boards of Accountancy Board Relevance & Effectiveness Committee; and

WHEREAS, he has held leadership roles in civic organizations including, President of the Probate Section of the San Fernando Valley Bar Association and Chair of the Executive Committee of Estate Planning Trust & Probate section of the California State Bar.

NOW, THEREFORE, BE IT RESOLVED, that the members of the California Board of Accountancy express heartfelt appreciation to Marshal A. Oldman, Esq. for the outstanding contribution he made during his term of service on the California Board of Accountancy and to the consumers of California.

Michael M. Savoy, CPA, President

Katrina Salazar, CPA, Secretary-Treasurer

Dated: March 20, 2014

Department of Consumer Affairs

California Board of Accountancy



RESOLUTION

***WHEREAS**, Brian V. Cates has faithfully served as a member of the California Board of Accountancy's Certified Public Accountants Qualifications Committee from March 21, 2008 to March 20, 2014; and*

***WHEREAS**, throughout his years of service he has given fully of himself and his ideas and has acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

***WHEREAS**, he has discharged these important responsibilities in a manner reflecting great credit upon himself and the accounting profession; and*

***WHEREAS**, his colleagues wish to express to him their high esteem and regard;*

***NOW, THEREFORE, BE IT RESOLVED**, that the members of the California Board of Accountancy express heartfelt appreciation to Brian V. Cates for the outstanding contribution he made during his term of service on the Qualifications Committee.*

Michael M. Savoy, CPA, President

Katrina Salazar, CPA, Secretary-Treasurer

Dated: March 20, 2014

Department of Consumer Affairs
California Board of Accountancy



RESOLUTION

***WHEREAS**, Lewis R. Fisher has faithfully served as a member of the California Board of Accountancy's Certified Public Accountants Qualifications Committee from March 22, 2012 to March 20, 2014; and*

***WHEREAS**, throughout his years of service he has given fully of himself and his ideas and has acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

***WHEREAS**, he has discharged these important responsibilities in a manner reflecting great credit upon himself and the accounting profession; and*

***WHEREAS**, his colleagues wish to express to him their high esteem and regard;*

***NOW, THEREFORE, BE IT RESOLVED**, that the members of the California Board of Accountancy express heartfelt appreciation to Lewis R. Fisher for the outstanding contribution he made during his term of service on the Qualifications Committee.*

Michael M. Savoy, CPA, President

Katrina Salazar, CPA, Secretary-Treasurer

Dated: March 20, 2014



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CBA Item I.D.
March 20-21, 2014

National Association of State Boards of Accountancy (NASBA)/
American Institute of Certified Public Accountants (AICPA)
Committee Interest Form

Presented by: Corey Riordan, Board Relations Analyst
Date: February 11, 2014

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) members with information regarding opportunities to participate on national committees with the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA). This participation assists in ensuring that California maintains an active presence nationally in the decision making process related to the accountancy profession.

Action Needed

None.

Background

National Association of State Boards of Accountancy (NASBA)

NASBA's committee recruitment process will begin in the near future, at which time staff will provide the CBA with the committee interest form and the deadline for submitting interest forms. CBA staff will act as a liaison by receiving the interest forms from CBA members and forwarding them to NASBA.

The committee interest form, which includes a listing of committees as well as their respective charges will also be available on the NASBA website at www.nasba.org. The appointments are decided by NASBA's Planning Committee

The CBA currently has representation on the following NASBA committees:

Accountancy Licensee Database Task Force:	Patti Bowers
Board Relevance and Effectiveness Committee:	Marshal Oldman, Esq., Former CBA Member

If CBA members have specific questions or need information regarding NASBA committees, you may contact Anita Holt at (615) 880-4202 or aholt@nasba.org.

National Association of State Boards of Accountancy (NASBA)/American Institute of Certified Public Accountants (AICPA) Committee Interest Form

Page 2

American Institute of Certified Public Accountants (AICPA)

The AICPA is accepting applications for the 2014-2015 volunteer year for service beginning October 2014. If you are interested in volunteering for the Board of Examiners or State Board Committee of the Uniform CPA Exam, please go to <http://volunteers.aicpa.org> and fill out an application and include your resume.

Participation on AICPA's volunteer groups begins every October. The AICPA maintains a website that provides significant information on its 200 plus volunteer groups at <http://volunteers.aicpa.org>. The volunteer groups consist of the AICPA's Governing Council, Board of Directors, committees, subcommittees, expert panels, resource panels, quality centers, boards, and task forces.

There are a handful of AICPA volunteer groups where there has been an agreement with NASBA to appoint state board members. These volunteer groups include the Auditing Standards Board (ASB), Board of Examiners (BOE) State Board Committee, the Professional Ethics Executive Committee (PEEC), and the National Peer Review Committee (NPRC). A listing of these volunteer groups with respective charges is provided as **Attachment 1**. NASBA nominates several state board members for each of these volunteer groups and the AICPA fills vacancies from that list. With exception of the NPRC and the PEEC, the volunteer groups require a member to be a CPA and a member of the AICPA.

It is important to note that participation in one of the AICPA volunteer groups requires review and signature on the "AICPA Volunteer Service Agreement" a copy of which is provided as **Attachment 2**.

At this time, the CBA does not have members participating on any AICPA volunteer groups.

More information regarding AICPA volunteer groups may be obtained from AICPA Volunteer Services by contacting Heather Collins at (919) 402-4846, Catey Bullard at (919) 402-4997, Jaime Geary at (919) 402-4103 or via email at AICPAVolunteerServices@aicpa.org.

Travel

Many of the AICPA and NASBA committees provide the opportunity for members to participate via teleconference. This is a cost effective way to represent California on a national basis. As a result of the Governor's Executive Order, only travel that is deemed mission critical to the mandate of the CBA is authorized. Please seek prior approval if you deem it necessary to travel to attend a NASBA or AICPA committee meeting.

Comments

None.

**National Association of State Boards of Accountancy (NASBA)/American Institute
of Certified Public Accountants (AICPA) Committee Interest Form**

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Fiscal Impact

None.

Recommendation.

None.

Attachments

1. AICPA Volunteer Group Opportunities
2. AICPA Volunteer Service Agreement

Overview of the AICPA Volunteer Environment

History of AICPA. The American Institute of Certified Public Accountants and its predecessors have a history dating back to 1887, when the American Association of Public Accountants (AAPA) was formed. In 1916, the American Association was succeeded by the Institute of Public Accountants, at which time there was a membership of 1,150. The name was changed to the American Institute of Accountants in 1917 and remained so until 1957, when it changed to its current name of the American Institute of Certified Public Accountants. The American Society of Certified Public Accountants was formed in 1921 and acted as a federation of state societies. The Society was merged into the Institute in 1936 and, at that time, the Institute agreed to restrict its future members to CPAs.

History of Committees. The use of committees began even before the AAPA was formed in 1887. At the first meeting of what would become the AAPA on December 22, 1886 those present authorized the appointment of a committee to draft rules and regulations. Beyond this first preliminary committee the first Bylaws of the AAPA in 1897 established three committees: Finance and Audit Committee, Committee on Elections, Qualifications and Examinations, and the Committee on Bylaws. The number of committees grew continually over the years. In the 1940s there were 34 committees, by 1960, there were 89, and by 1970, the number had grown to 109. In 1999 the nearly 120 existing committees underwent a re-organization with approximately half of the standing committees being replaced with a volunteer group model that placed an increased emphasis on the use of task forces. The increased use of task forces allowed for more targeted efforts with the task forces being given a specific assignment then disbanding upon completion of that assignment. Also, in 1999 the first tracking and management of task forces began. Collectively, more than 2,000 volunteers contribute to the AICPA's fulfilling its mission.

Need for Volunteer Groups. The AICPA organization consists of volunteer groups and staff working together to achieve the Institute's objectives. Volunteer Groups help present the interests, needs' and attitudes of the membership; and assist the Institute in maintaining high standards of professional practice, promoting the interest of CPAs, serving as a spokesperson for the profession, and providing appropriate services to members. An effective volunteer group structure can generate sound group judgment, provide continuity of thinking, and help bring together a cross section of member knowledge and experience. It also provides for leaders of the profession. The most important reason for organizing a volunteer group is the need for member guidance and representation.

Volunteering for Service. Prospective volunteers can apply for service on a volunteer group via the <http://volunteers.aicpa.org> website. State Societies, firms, firm associations or other members of the AICPA often recommend candidates for volunteer service. New volunteers should be aware of the time commitment volunteer group service entails. Considering attendance at volunteer group meetings, travel, and time for assignments and other meetings, members can expect to spend about 60-80 hours on volunteer work during the first year. Of course, the amount of time each volunteer member spends on volunteer group activities varies;

with each year of service, a member's time commitment often increases. By accepting appointment to the volunteer group, a volunteer member shows his or her willingness to devote the necessary time and effort to volunteer work.

Term of Appointment. In most cases, a volunteer is appointed for a one-year term, which can be extended to three years. Each year, the chairperson and the staff evaluate each member's contribution to their volunteer group. Customarily, a member cannot be reappointed for a fourth term unless he or she is appointed as chairperson of the volunteer group.

Appointing Volunteers. The appointment of volunteers can be divided into three main categories. The first appointment category (approximately 900 volunteers) includes all committees, subcommittees, expert panels, resource panels, boards and centers, whereby appointment to one of these groups are made during an annual appointments meeting held in July. The second appointment category (321 volunteers) includes the Board of Directors, Council, Joint Trial Board and Peer Review Board – appointments being made typically in February. The third and last appointment category (approximately 500 volunteers) includes all task force members in which appointment to a task force can occur at any time throughout the year as needed.

Volunteer Year. The AICPA Volunteer Year runs from October through October of the following year. The beginning of the Volunteer Year "officially" begins immediately following the Fall Meeting of Council.

TYPES OF VOLUNTEER GROUPS

All members of the Council, Boards, Committees, Subcommittees, Panels, Centers and Task Forces (hereinafter "**volunteer groups**")

Advisory Group – An advisory group is not responsible for policy-setting as are regular committees the purpose of an advisory group is typically to capture the views of membership groups or sections. There are currently six advisory groups, these groups usually meet virtually via conference calls although they may on occasion meet in person.

Audit Quality Center – The objectives of the Audit Quality Center include:

- Enhance the quality of member firms' audit practices in the specialized area.
- Provide a forum for member firms to address technical and regulatory matters involving the specialized area of audit practice.
- Develop relationships with, act as a liaison to, and communicate issues to regulators and others for the purpose of representing the auditing profession's views relating to the specialized area of audit practice.
- Advocate solutions and positions to regulators and standards-setters on behalf of member firms in the specialized area.

Board – Based on the Bylaws of the AICPA the term Board is used in conjunction with the following bodies:

- Board of Directors
- Board of Examiners
- Joint Trial Board
- Peer Review Board

Board of Directors - The Board of Directors acts as the executive committee of Council, directing Institute activities between Council meetings. The Board meets five times a year and is responsible for reporting to the Council at least semiannually. The Board of Directors consists of:

- Chairman of the Board of Directors
- Vice Chairman of the Board of Directors
- Immediate Past Chair of the Board of Directors
- Regular Members of the Board of Directors (members of the AICPA)
- Public Members of the Board of Directors (non AICPA members)

Board Committees - Board committees are comprised of members of the Board of Directors. The Chair of the Board and the President are Ex Officio Members of all Board committees. The following committees are classified as Board Committees:

- Accounting Research Association – to provide best efforts commitment of financial support to the Financial Accounting Foundation.
- Political Action Committee – provides financial support for election campaigns of candidates for federal elective office whose views are consistent with AICPA goals.
- Audit Committee – is primarily concerned with the effectiveness of the audits conducted by the Institute's Internal Audit Staff and independent certified public accountants.
- Compensation Committee – establishes and monitors compliance with compensation policies for AICPA staff.
- Finance Committee – purpose is to maintain the relevance of the Institute's continuing objectives and contribute to their advancement by reviewing strategy, plans, budgets and material deviations in plans and budgets prior to discussion by the Board of Directors.

Board of Examiners - The Board of Examiners (BOE) is responsible for the supervision and preparation of the uniform CPA examination which may be adopted by state Boards of Accountancies for examining candidates for the certified public accountant certification. The BOE is also responsible for the conduct of the grading service offered by the Institute. The BOE forms the necessary rules and regulations for the conduct of its work, but all such rules and regulations may be amended, suspended, or revoked by the Board of Directors. The BOE may delegate to members of the Institute's staff or other duly qualified persons the preparation of examination questions and the operation of the grading service conducted by the Institute

Council - Council determines Institute programs and policies. It has approximately 263 members with representatives from every state and U.S. territory. The Council may exercise all powers requisite for the purposes of the Institute, not inconsistent with the AICPA Bylaws or with duly enacted resolutions of the membership, including but not limited to the authority to prescribe the policies and procedures of the Institute and to enact resolutions binding upon the Board of Directors, the officers, volunteer groups, and staff. The Council consists of the following members:

- At-Large Members of Council
- Board of Directors
- Designated Representatives of each state
- Elected Members of Council
- Ex-Officio Members (past Chairs of the Board)
- Members At Large of Council

Expert Panel - Following the AICPA's volunteer group restructuring effort in 1999 the Board of Directors approved the establishment of Expert Panels that focus on identifying industry-specific business reporting issues with an emphasis on audit and accounting. Panels have been established in areas in which the membership and the public have a high stake and in which the AICPA can add significant value. The Expert Panels enable standards setters, such as Accounting Standards Executive Committee, Auditing Standards Board, Financial Accounting Standard Board (FASB), and the General Accounting Standards Board (GASB) to continue to leverage the AICPA membership's industry expertise, as well as provide a means for the profession to liaise with outside groups, such as regulators. Current Expert Panels include:

- Depository Institutions Expert Panel
- Employee Benefits Plans Expert Panel
- Health Care Expert Panel
- Insurance (Life and P&L) Expert Panel
- Investment Companies Expert Panel
- Not-for-Profit Organizations Expert Panel
- State & Local Government Expert Panel
- Stockbrokerage and Investment Banking Expert Panel

Executive Committee - An executive committee is the standing parent group responsible for Policy-setting in an area of activity. The Board of Directors acts as the executive committee of Council, directing Institute activities between Council meetings. Other Executive Committees include:

- Accounting Standards Executive Committee
- Assurance Services Executive Committee
- Business and Industry Executive Committee

- Employee Benefits Audit Quality Center Executive Committee
- Forensic and Valuation Services Executive Committee
- Governmental Audit Quality Center Executive Committee
- Information Technology Executive Committee
- PCPS Executive Committee
- Personal Financial Planning Executive Committee
- Pre-Certification Education Executive Committee
- Professional Ethics Executive Committee
- Professional Practice Executive Committee
- Tax Executive Committee
- Women’s Initiatives Executive Committee

Joint Trial Board – The Joint Trial Board consist of 36 members elected for a three year term by the Nominations Committee and ratified by Council. The Joint Trial Board provides for uniform enforcement of professional standards by adjudicating disciplinary charges against state society and AICPA members. Its decisions affect both AICPA and state society memberships.

Nominations Committee - As outlined in the Bylaws of the Institute the Nominations Committee is to be composed of eleven members of the Institute, elected by the Council in such manner as the Council shall prescribe. The responsibility of the Nominations Committee is to make nominations for the following:

- At-large Members of Council
- Board of Directors
- Peer Review Board
- Joint Trial Board

Peer Review Board - The Peer Review Board is responsible for establishing and conducting a peer review (program) for firms enrolled in the program. Quality in the performance of accounting and auditing engagements by its members is the goal of the program. The program seeks to achieve its goal through education and remedial, corrective actions. This goal serves the public interest and enhances the significance of AICPA membership. The Board also reevaluates the validity and objectives of the program to ensure the program continues to enhance the quality of accounting and auditing practices of public accounting firms and to explicitly recognize that protecting the public interest is an equally important objective of the program.

Senior Committees and Boards - The following committees and boards are designated senior by virtue of resolution of Council implementing the AICPA Bylaws. Note: that in a few instances some of these committees may also be designated as Senior Technical Committees.

- Accounting and Review Services Committee
- Accounting Standards Executive Committee

- Assurance Services Executive Committee
- AICPA Peer Review Board
- Auditing Standards Board
- Board of Examiners
- CPE Advisory Committee
- Employee Benefits Audit Quality Center Executive Committee
- Governmental Audit Quality Center Executive Committee
- Information Technology Executive Committee
- Personal Financial Planning Executive Committee
- PCPS Executive Committee
- Personal Financial Planning Executive Committee
- Professional Ethics Executive Committee
- Tax Executive Committee

Senior Technical Committees and Board - The following senior technical committees and boards are authorized to make public statements - without clearance from Council or the Board of Directors - on matters relating to their area of practice:

- Accounting and Review Services Committee
- Accounting Standards Executive Committee
- AICPA Peer Review Board
- Assurance Services Executive Committee
- Auditing Standards Board
- Professional Practice Executive Committee
- Forensic and Valuation Services Executive Committee
- PCPS Executive Committee
- Personal Financial Planning Executive Committee
- Professional Ethics Executive Committee
- Tax Executive Committee

Subcommittee - A subcommittee is a standing group which may be entirely or partially composed of some of the members of the related executive committee or may be composed entirely of other persons. The work of a subcommittee is subject to overall review by its related committee or executive committee.

Task Force - Since the Volunteer Group restructuring effort that took place in the fall of 1999 there has been an increased emphasis on task forces rather than formal “standing” committees, panels or boards. Also, beginning in 1999 the Volunteer Services Team began tracking and

maintaining information on task forces. Task forces are intended to be fast paced groups that focus on a single issue or project.

Since the definition of what constitutes a task force has varied greatly from one individual to the next the following definition is provided:

Task forces are working groups that typically focus on a single issue or project. They operate in support of and under the auspices of another volunteer group (committee, panel or board). While the duration of task forces may vary considerably, they should be organized to have relatively short lives, accomplishing their objectives on single issues or projects rapidly, and then being disbanded. Also for purposes of definition the Volunteer Services Team will only track a task force with an intended working life of over three months and if the task force meets separately from the volunteer group the task force supports.

Since task forces do not follow the Volunteer appointments process the basic information on a task force must be provided to the Volunteer Services Team by the Staff Liaison as soon as the task force is created, members are added or removed, and notification must be provided when a task force disbands.

Tax Technical Resource Panel – Tax Technical Resource Panels (TRP's) act as a primary resource to the Tax Executive Committee (TEC) in representing members and the public interest by identifying issues, in developing technical and policy recommendations on those issues, and in suggesting or developing related practice aids to assist members in complying with the law; to recommend formation of task forces and assist the TEC and its constituent committees in monitoring task forces activities; and to maintain appropriate liaisons with government, industry and other professional organizations. TRP's are intended to be small and proactive, with members who are current and knowledgeable in the assigned technical areas.

Current Tax Technical Resource Panels:

- Corporations and Shareholders Taxation
- Employee Benefits Taxation
- Exempt Organizations Taxation
- Individual Income Taxation
- International Taxation
- Partnership Taxation
- S Corporation Taxation
- State and Local Taxation
- Tax Methods and Periods
- Trust, Estate and Gift Taxation

Volunteer Group - The term Volunteer Group is used as a general term to include the following types of groups; Committee, Subcommittee, Expert Panel, Technical Resource Panel, Board, Advisory Group and even Task Force (refer to their respective definitions for actual differences).

The most important reason for organizing a volunteer group is the need for member guidance and representation. Volunteer groups may be needed because staff do not have the authority for actions in a given area, or may be formed to insure that appropriate member interests are represented on a given issue or activity.

Virtual Group. Members may in some cases serve on a volunteer group in a virtual capacity, i.e. never meeting in person but rather conducting their work within an online internet / email based environment. One type of virtual member participation has entailed the online support to one or more specific volunteer group. A second form of virtual participation involves the online participation in various online surveys to provide targeted feedback in specialized areas.

PUBLIC STATEMENT AUTHORIZATION

Most of the AICPA’s Volunteer Groups are composed of Institute members appointed by the chair of the board for a term of one year (reappointments may bring service total to three years). Of these Volunteer Groups, 16 have been designated as Senior Committees (appointments must be approved by the Board of Directors), and 12 of these 16 (known as Technical Committees) have the authority to make public statements on matters related to their areas of practice without clearance from the Council or the Board. The Senior Committees are listed in the following table.

Public Statement Authorization

	YES	NO
Accounting and Review Services Committee	X	
Accounting Standards Executive Committee	X	
AICPA Peer Review Board	X	
Assurance Services Executive Committee	X	
Auditing Standards Board	X	
Board of Examiners		X
CPE Advisory Committee		X
Employee Benefits Plans Audit Quality Center Executive Committee		X
Forensic and Valuation Services Executive Committee	X	
Government Audit Quality Center Executive Committee		X
Information Technology Executive Committee		X
Personal Financial Planning Executive Committee	X	
PCPS Executive Committee	X	
Professional Ethics Executive Committee	X	
Professional Practice Executive Committee	X	
Tax Executive Committee	X	
Women’s Initiative Executive Committee	X	

DEFINITIONS OF VOLUNTEER ROLES

There are currently 35 volunteer roles available within the Volunteer System as shown below. In some cases a particular role, such as Treasurer should be self explanatory and therefore no definition is provided - where appropriate details on the functions of each role are provided.

Current Roles

Administrative Support	Executive Director	Secretary
Alternate	General Counsel and Secretary	Secretary-Treasurer
Alternate Chair	Immediate Past Chair	Senior Vice President
Assist. Treasurer	Member	Staff Liaison
Board Chair	Member At Large	State Reps
Board Liaison	Non-Member	Technical Advisor
Chair	Observer	Technical Secretary
Chairman	Past Chair	Treasurer
Co-Chair	President	Unknown
Director	Primary Contact	Vice Chair
Elected Members	Project Manager	Vice President
Ex Officio	Public Member	

Board Chair. The Chairman of the Board of Directors presides at key meetings of members of the Institute, the Council, and the Board of Directors. The chairman is responsible to appoint volunteer group members as provided for in the Bylaws. The Chairman also acts as a spokesperson for the Institute and appears on its behalf before other organizations. The Vice Chair of the Board is normally appointed to be Chair of the Board during the annual meeting of the Nominations Committee (usually held in February).

Board Liaison. Acts as the ears of the Board of Directors to certain volunteer groups.

Chair. The Chair of a Volunteer Group is responsible for presiding over the meetings of the group and to provide direction over the activities of the group. With the exception of task forces the Chair is also responsible during the Volunteer Year to recommend individual's for succeeding years, evaluate members of the group, and communicate any changes in the objectives or membership of the Group to the Volunteer Services Team at volunteerservices@aicpa.org.

Elected Members. Elected Members are members of Council who are directly elected by the membership in their respective states. The number of Elected Members is allocated in two ways, somewhat analogous to the allocation of senators and congressmen for each state whereby the first is a fixed amount and the second is based on population. First, each state by default is allowed to recommend one Elected Member of Council. Second, each state is allowed to recommend additional Elected Members, the number being based on the proportion of Institute members enrolled from each state. This second category of Elected Members based on proportion of AICPA members is set at 85 members, however the allocation of the seats is re-evaluated and adjusted if necessary every five years.

Ex-Officio. Past Chairs of the Board of Directors and Past Presidents of the AICPA.

Member-At-Large. Seven Institute members, without regard to the states in which they reside are elected annually by the Nominations Committee to serve as Members-At-Large to serve on Council.

Member. The term member is often used in a general sense to reflect any participant on a volunteer group.

President. The president of the AICPA has the responsibility for the execution of the policies and programs of the Institute, act as a spokesperson for the Institute, and perform such other services as may be assigned to the President by the Council and the Board of Directors

Public Members. Public Members are non-CPA volunteers who sit on the Board of Directors and various other volunteer groups.

Secretary of Institute. The secretary of the Institute has the usual duties of a corporate secretary and performs such other related duties as may be assigned by the president

Staff Liaison. The staff liaison is an AICPA staff member who assists the volunteer group at each meeting to the fullest extent possible by researching and providing background information. This includes providing appropriate reference materials for each meeting; identifying the elements of a problem; listing the questions that need answering; participating in the discussion; endeavoring tactfully to persuade members to adopt a sound decision; alerting the volunteer group when it is deviating from AICPA policy or exceeding its authority; and accepting whatever final decision is reached unless the issue is so important that a higher authority should be consulted. The staff liaison is responsible for preparing the agenda, drafting the minutes or highlights (including attendance), as appropriate, of each meeting (with review and approval by the volunteer group chair), and the staff liaison is responsible for coordinating volunteer group activities and sharing information with other AICPA volunteer groups and staff as appropriate. The staff liaison may also be called on to help the volunteer group identify goals, for us on major issues, create new programs, draft reports, and organize and implement activities approved by the volunteer group. The staff liaison should play an active role and can lead the volunteer group in the form of guidance and assistance toward a desired end.

State Rep. Each state society designates a single Institute member to represent it on the Council for a term of one year. A Designate Representative (state rep) can be reappointed each year for a combined term of service not to exceed six consecutive years.

Vice Chairman of the Board. The Vice Chairman of the Board shall be chairman- nominee of the Board of Directors and presides in the absence of the chairman at meetings of the Institute, the Council, and the Board of Directors. The Vice Chairman is currently assigned the responsibility to recommend appointments to all volunteer groups. These recommended appointments are subject to ratification during the annual Fall Council meeting. The Vice Chair is selected during the annual meeting of the Nominations Committee, usually held in February each year. Although there are no specific requirements to become the Vice Chair normally this individual will have been a member of the Board of Directors.



AICPA Volunteer Service Agreement

Volunteering with the American Institute of CPAs (“AICPA” or the “Institute”) provides an opportunity for you to network with your peers and serve your profession by working on various interesting and worthwhile assignments. Our Volunteers are organized into Volunteer Groups (senior committees and committees, subcommittees, boards, panels, centers, and task forces).

We know that you have many demands on your volunteer time. We appreciate your willingness to use a part of that time to serve our profession. We hope you benefit as much by your volunteer service as the AICPA benefits from having members willing to volunteer.

Your acceptance as a Volunteer and participation in a Volunteer Group comes with a responsibility to assist in achieving the objectives of the Volunteer Group, including but not limited to: attending and participating in meetings and deliberations, meeting preparation, and post meeting deliverables. All Volunteers will be evaluated by the Chair of their Volunteer Group regarding their attendance and participation at meetings during the year.

All volunteers are required to review and provide their signature to this AICPA Volunteer Service Agreement (the “Service Policy Agreement”), located at the end of this document. You may not perform any volunteer services until you have signed this Service Policy Agreement.

Confidentiality and Conflict of Interest

Volunteers may have access to, or receive, information which is proprietary or confidential. For purposes of this policy, Confidential Information includes, but is not limited to: trade secrets, employee or AICPA member data, information related to the operations or plans of the Institute or of firms, companies or individuals or which is otherwise personal, proprietary, private or sensitive nature. Confidential Information does not include information that (i) is already known to the Volunteer at the time of its disclosure; (ii) is, as of the time of its disclosure, generally available to the public, or later becomes generally available to the public through no wrongful act of the Volunteer; (iii) is received by the Volunteer without restriction as to use or disclosure by a third party not known by the Volunteer to be under a confidentiality obligation to AICPA or its members; (iv) is approved for release by prior written authorization of AICPA; (v) is furnished by AICPA to a third party without restriction on the third party’s right of disclosure or (vi) is disclosed pursuant to any judicial or governmental requirement or order; provided, however, that the Volunteer notifies AICPA in writing of such required disclosure as much in advance as practicable in the circumstances and cooperates with AICPA to limit the scope of or prevent such disclosure. Confidential Information is the property of AICPA. Volunteer Group members must consider all information received or



discussed during their service as confidential, and members may not use or disclose any such information outside of the committee's deliberations without express written permission from the Institute's Office of the President & CEO or its General Counsel or as permitted elsewhere in this Service Policy Agreement.

In addition, members should avoid all conflicts of interest. Specifically, where a matter is the subject of discussion that may result in a personal financial benefit/opportunity to a member or his/her firm to the exclusion of the members generally, that conflict of interest should be disclosed and the member should not participate in the discussion or vote on the matter.

Communications

During recent years, the activities of the Institute have increased rapidly in scope and variety. Many of these activities are conducted with the knowledge, input, or based on recommendations of volunteer groups. To avoid overlapping or duplication of effort and to maintain consistency in general policies, it is essential for all activities to be coordinated as effectively as possible.

It is also important that statements to the press or communications with outside groups, which may result in published statements attributed to the Institute, be screened for conformity with policies implemented by the Board of Directors. The Chairman of the Board, the President & CEO and designated members of senior management of AICPA have been delegated the responsibility for this function. With limited exceptions, press releases and communications with reporters and financial writers on behalf of the Institute must be channeled through or cleared with the Office of the President & CEO of the Institute. The Washington Office should receive advance information about statements to be made to any branch of the Federal Government.

The following Volunteer Groups are authorized to make statements, without clearance from Council or the Board of Directors, in matters related to its area of practice once adopted by the Volunteer Group:

- Accounting and Review Services Committee
- Assurance Services Executive Committee
- Auditing Standards Board
- Center for Audit Quality Governing Board
- Financial Reporting Executive Committee
- Forensic and Valuation Services Executive Committee
- Management Consulting Services Executive Committee
- Peer Review Board
- Personal Financial Planning Executive Committee
- Private Companies Practice Executive Committee
- Professional Ethics Executive Committee
- Tax Executive Committee



All statements concerning policy or technical matters issued on the authority of these Volunteer Groups should be clearly identified as such.

No other Volunteer Group may issue any outside communications without clearance by the Board of Directors prior to issuance.

Actions That May Discredit AICPA

Volunteer members should not engage in, promote, or participate in any activities that can reasonably be anticipated to discredit or result in damage to AICPA's reputation or otherwise discredit the core standards and principles AICPA or the CPA Profession represents. When participating in Volunteer activities on behalf of AICPA, all Volunteers are expected to conduct themselves in a professional manner. Should a volunteer act outside the standards set forth, he/she may be immediately removed as a member of the volunteer committee.

Meetings

Care should be exercised in the decision to call a meeting and the selection of meeting sites to ensure effectiveness and efficiency consistent with reasonable costs to the Institute and to the firms and other organizations of Volunteer Group members. Meetings should be scheduled in locations that are easily accessible, conducive to serious volunteer efforts, require a minimum of travel of Volunteer Group members and staff, and require the least expenditure of non-chargeable time compatible with Volunteer Group requirements. All offsite meetings are a representation of the Institute and should be reflected as such. Meeting venues should be consistent with the Institutes standards by conveying a professional and modest image. Consideration should be given to use of conference calls and computer technology, such as videoconferencing in lieu of a meeting, whenever possible.

The purpose of a Volunteer Group meeting is to obtain the input of members and decisions on Volunteer matters and where appropriate, produce material for use by the Volunteer Group and others. For effective Volunteer Group deliberations, and in fairness to other Volunteer members, each member should spend whatever time is necessary to prepare for the meetings and then actively participate. The Institute reserves the right to schedule and modify virtual and/or in person meetings as they see fit based on the needs of the volunteer group and the advancement of technology.

Ownership/Assignment of Copyright

From time to time, a Volunteer may be tasked with preparing documents, guides, plans, standards and other materials, including updates and revisions thereof (the "Work"), for use by the Volunteer Group and/or others outside of the group.



To the extent that any Work created by a Volunteer shall constitute or contain copyrightable subject matter, the Work shall be considered a specially commissioned “work made for hire” for the benefit of AICPA to the fullest extent accorded the definition of those terms under the Copyright Laws of the United States, Title 17, United States Code § 101. Without limitation of the foregoing, the Volunteer agrees to assign and hereby assigns the Work, the copyright and all other right, title and interest in and to the Work to AICPA, and the Volunteer agrees to promptly execute any and all documents necessary or desirable to effectuate or otherwise evidence such assignment.

Accordingly, all of the rights comprised in the Work and the updates to the Work shall vest in AICPA, and its successors and assigns, as the sole and absolute owner. AICPA shall have the sole right and power to apply for any and all copyrights in its name, in order that all copyrights so obtained shall vest in AICPA, including the copyrights for any renewed or extended terms now or hereafter authorized by law. Whenever requested by AICPA, Volunteer shall perform such acts and sign all documents and certificates which AICPA may reasonably request in order to fully carry out the intent and purposes of this Paragraph.

Any questions regarding the Service Policy Agreement should be directed to Heather Collins at 919.402.4846, Catey Bullard at 919.402.4997, Jamie Geary at 919.402.4103, or via email at VolunteerServices@aicpa.org.

Verification and Agreement

As a requirement of membership in an AICPA Volunteer Group (including without limitation, senior committees and committees, subcommittees, task forces, boards, commissions, panels, expert panels, centers and technical resource panels), I, the undersigned, hereby verify and state that I have read the above Service Policy Agreement, and I fully understand its terms. By accepting my volunteer appointment, I hereby agree to be bound by all of its terms and conditions including, without limitation, the sections dealing with Confidentiality and Conflict of Interest and Ownership/Assignment of Copyright as set forth above. I acknowledge that committees may be disbanded or suspended at any time as seen fit by the Institute. I confirm that the networking opportunities and professional recognition afforded by my volunteer services constitute good and valuable consideration for the undertakings made herein.

Any questions or assistance needed, please contact Heather Collins at 919.402.4846, Catey Bullard at 919.402.4997, Jamie Geary at 919.402.4103, or via email at AICPAVolunteerServices@aicpa.org



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CBA Item I.E.
March 20-21, 2014

Proposed 2015 CBA Meeting Dates

Presented by: Corey Riordan, Board Relations Analyst

Date: February 11, 2014

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with proposed meeting dates for 2015. **Attached** is a 2015 meeting dates/locations calendar for reference.

Action Needed

Members may choose to adopt or modify the 2015 CBA meeting dates.

Background

None.

Comments

The proposed 2015 CBA meeting dates are identified below and have been selected to avoid major and religious holidays.

- January 22-23, 2015 Southern California
- March 19-20, 2015 Northern California
- May 28-29, 2015 Southern California
- July 23, 2015 Northern California
- September 17-18, 2015 Southern California
- November 19-20, 2015 Northern California

Special meeting dates on legislation may be scheduled on an as-needed basis. These meetings will most likely occur in late August or early September 2015.

Fiscal/Economic Impact

None.

Recommendation

None.

Proposed 2015 CBA Meeting Dates
Page 2

Attachment
2015 Meeting Dates/Locations Calendar

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
2015 MEETING DATES/LOCATIONS CALENDAR
(CBA MEMBER COPY)**

JANUARY 2015

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	23 SC	24
25	26	27	28	29	30	31

FEBRUARY 2015

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	26	27	28

MARCH 2015

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 NC	20 NC	21
22	23	24	25	26	27	28
29	30	31				

APRIL 2015

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
26	27	28	29	30		

MAY 2015

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	26	27	28 SC	29 SC	30
31						

JUNE 2015

S	M	T	W	Th	F	S
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JULY 2015

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SEPTEMBER 2015

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NOVEMBER 2015

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DECEMBER 2015

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 CBA Office Closed

GENERAL LOCATION
NC-NORTHERN CALIFORNIA
SC-SOUTHERN CALIFORNIA



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CBA Item I.F.
March 20-21, 2014

Educational Presentation – Enforcement Division Overview

Presented by: Rafael Ixta, Chief, Enforcement Division
Paul Fisher, Supervising Investigative CPA
Sara Narvaez, Enforcement Manager

Date: February 28, 2014

Purpose of the Item

The purpose of this agenda item is to provide information to the California Board of Accountancy (CBA) regarding the disciplinary process.

Action(s) Needed

None.

Background

The CBA Enforcement Division's primary responsibility is to protect consumers by:

1. Ensuring that licensees are in compliance with the provisions of the Accountancy Act and the CBA Regulations.
2. Conducting investigations of unlicensed practice.
3. Referring matters to the Office of the Attorney General (AG) or local jurisdictions for prosecution.
4. Imposing discipline consistent with the disciplinary guidelines.
5. Imposing other enforcement actions, such as citations, fines, administrative suspensions, etc, where warranted.
6. Monitoring probationers to ensure compliance with probationary terms.

Comments

The information in this agenda item regarding the disciplinary process highlights the composition of the Enforcement Division and provides an enforcement process overview. To further assist in the overview several attachments are also being provided. Lastly, for every meeting, staff includes an overview of the disciplinary process as part of the CBA's closed session meeting materials. This document summarizes the three primary disciplinary vehicles the CBA encounters, and highlights the procedural differences the CBA experiences in exercising its quasi-judicial responsibilities within the disciplinary process. This can be found in the closed session **Tab XII**.

Educational Presentation – Enforcement Division Overview

Page 2 of 5

Composition of the Enforcement Division

The Enforcement Division consists of three units – Technical Investigations, Non-Technical Investigations, and Program and Committee Support. An overview of each unit is provided below, with **Attachment 1** – CBA Enforcement Division Organization Chart – being provided for reference.

Technical Investigations Unit – Paul Fisher, Supervising Investigative CPA

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

Non-Technical Investigations Unit – Sara Narvaez, Manager

Non-Technical Investigations consists of one Staff Services Manager and four analysts who conduct the less complex investigations.

Program and Committee Support – Sara Narvaez, Manager

Program and Committee Support consists of five analysts and three office technicians who provide assistance with program support activities such as issuing citations and fines, referring investigations to the AG, probation monitoring, and monitoring compliance with the mandatory peer review program.

They also provide assistance to enforcement program committees including the Enforcement Advisory Committee (EAC), Enforcement Program Oversight Committee (EPOC), and Peer Review Oversight Committee (PROC).

Enforcement Process Overview

Complaint Intake (Refer to Attachment 2)

Complaints are received from consumers, professional societies, law enforcement agencies, other government agencies, and internal referrals from other programs of the CBA or from CBA Committees. Staff also regularly monitors news and social media for information regarding licensees or unlicensed practice that may suggest violations of the Accountancy Act and CBA Regulations. The CBA requests that complaints be submitted in writing. A complaint form is posted on the CBA website. A paper copy is provided upon request. Complainants may also submit a letter identifying the name of the licensee who is the subject of the complaint and explaining the issues of concern.

Jurisdiction

Complaints are reviewed to establish jurisdiction and a potential violation of the Accountancy Act, CBA Regulations, or both. Non-jurisdictional complaints are closed and referred to back to the originating source or to the appropriate agency.

Investigative Process (Refer to Attachment 3)

Complaint Assignment

Once jurisdiction has been established, the complaint is assigned to an investigator. Each assigned complaint is prioritized, with the highest priority assigned to complaints

Educational Presentation – Enforcement Division Overview

Page 3 of 5

in which it is believed consumer harm is ongoing, and therefore, the promptness of the investigation is paramount.

Investigations

The less complex investigations are conducted by Enforcement Analysts in the Non-Technical Investigations Unit and generally involve unlicensed practice; continuing education (CE) deficiencies; criminal convictions; cancellation, suspension, revocation, or other right to practice as a CPA before any other governmental agency; and other administrative violations. The more complex investigations are conducted by Investigative CPAs and generally involve issues such as gross negligence, repeated negligent acts, embezzlement, and non-conformity with professional standards.

On an as needed basis, members from the EAC and Expert Consultants are used to provide technical assistance. Prior to referring matters to the AG, an Investigative Hearing may be held where the licensee can provide testimony under oath.

Burden/Standard of Proof

The standard of proof is clear and convincing evidence which is a more rigorous standard to meet than the preponderance of the evidence standard, but less rigorous than the beyond a reasonable doubt standard.

Enforcement Remedies

At the conclusion of the investigation three outcomes are possible:

1. Closure: Investigation is closed without any enforcement action.
2. Citation: Pursuant to CBA Regulations section 95, a licensee may be issued a citation which may contain an order of abatement, an administrative fine, or both. The citation is in lieu of filing an Accusation. The fine amount cannot be less than \$100 or more than \$5,000. Additionally, pursuant to CBA Regulations section 87.5, a licensee may be ordered to complete CE that will contribute to the licensee's professional competence. The prescribed CE may be in addition to or as part of the 80 hours of CE required for license renewal. The vehicle for issuing the additional CE is a citation.
3. Discipline: A licensee may be disciplined for violating one or more of the causes listed in BPC section 5100. Discipline is initiated by the filing of a pleading by the Executive Officer. Generally, two types of pleadings are prepared: 1) an Accusation to discipline licensees or 2) a Statement of Issues (SOI) to deny licensure to applicants. Once the pleading is prepared by the AG's Office, it is returned to the CBA for signature by the Executive Officer and served on licensee/applicant (Respondent).

Appeals

Citation

Licensee may contest the Citation by filing a written informal appeal (provided for in the Administrative Procedure Act) within 30 days of the issuance of the Citation/Order.

Educational Presentation – Enforcement Division Overview

Page 4 of 5

Upon review by the Executive Officer, the Citation can be affirmed, modified, or withdrawn. The licensee may contest the decision of the informal appeal by requesting a formal appeal to the Office of Administrative Hearings (OAH). The formal appeal must be made within 30 days of the CBA's determination.

Pleadings (Accusations/SOIs) (Refer to **Attachment 4**)

Respondent has 15 days after service of the pleading to file a Notice of Defense (NOD). If the Respondent does not file a NOD, the matter is considered a default. If the Respondent files a NOD, the matter proceeds to hearing. Prior to the hearing, the parties may come to terms of a Stipulated Settlement. If a settlement cannot be negotiated, the matter proceeds to hearing and an Administrative Law Judge (ALJ) will issue a Proposed Decision.

Approximately 70 percent of matters are resolved through a Stipulated Settlement, 20 percent of matters come before the CBA as Default Decisions, and 10 percent come before the CBA as Proposed Decisions.

Agency Decisions (Refer to **Attachment 4)**

Adopt

All Default Decisions, Stipulated Settlements, or Proposed Decisions¹ are considered by the CBA in closed session. Adoption of the decision will result in the imposition of the terms of the disciplinary order. The decision becomes effective 30 days from the date of the CBA's adoption, unless a petition for reconsideration is filed.

Non-Adopt

If the CBA elects to non-adopt a Default Decision it results in either (1) the CBA reviewing and rendering a decision based on the evidence, or (2) referring the matter to the OAH for a hearing. If the CBA elects to non-adopt a Stipulated Settlement, the matter is referred back to staff and will proceed to hearing, unless terms for another Stipulated Settlement are negotiated. Lastly, if the CBA elects to non-adopt a Proposed Decision, it will result in the CBA reviewing the hearing transcripts, exhibits, and written arguments by the Respondent and Deputy Attorney General (DAG). The CBA will then decide on an appropriate level of discipline. Alternatively, the CBA may also remand the non-adopted Proposed Decision back to the ALJ for further hearing; however, this option is seldom used.

Agency Appeals

Respondents, who enter into a Stipulated Settlement, generally do not have appeal rights. However, where the CBA adopt a Default Decision or a Proposed Decision, Respondents may file the following appeals:

Petition for Reconsideration of Proposed Decision

A Respondent has 30 days to file a Petition for Reconsideration if s/he does not agree with the decision adopted by the CBA. If granted, the decision adopted by the CBA is

¹ By operation of law, failure to act on a Proposed Decision within 100 days, results in adoption of the Proposed Decision.

Educational Presentation – Enforcement Division Overview

Page 5 of 5

stayed and non-adopt procedures for Proposed Decisions (outlined earlier) are followed. If denied, the decision becomes effective on the date ordered.

Petition to Vacate a Default Decision

A Respondent has seven days to file a Petition to Vacate a Default Decision. If granted, the default decision adopted by the CBA is vacated and is returned to the CBA to either enter into settlement discussions or to set for hearing before an ALJ. If denied, the decision becomes effective on the date ordered.

Writ of Mandate

Once a decision becomes a final decision of the CBA, Respondent may file a Writ in Superior Court. The Writ must be filed within 30 days of the effective date of the CBA's decision. The Superior Court may uphold the CBA's decision or remand the matter back to the CBA.

Probation Monitoring (Refer to Attachment 5)

Staff monitors all licensees placed on probation. The probation monitoring process is critical and ensures that licensees are in compliance with the conditions of probation. All conditions of probation are listed in the *Manual of Disciplinary Guidelines and Model Disciplinary Orders*. The standard conditions of probation are considered in all probation orders and are:

- Obey All Laws
- Cost Reimbursement
- Submit Written Reports
- Personal Appearances
- Tolling of Probation for Out-of-State Residence/Practice
- Comply with Probation
- Practice Investigation
- Comply with Citations
- Violation of Probation
- Completion of Probation

At the conclusion of the probationary term, the license is fully restored.

If the licensee is not in compliance with the conditions of probation, a Petition to Revoke Probation may be filed. The licensee is entitled to the same defenses and administrative due process described previously.

Fiscal/Economic Impact Considerations

None.

Recommendation

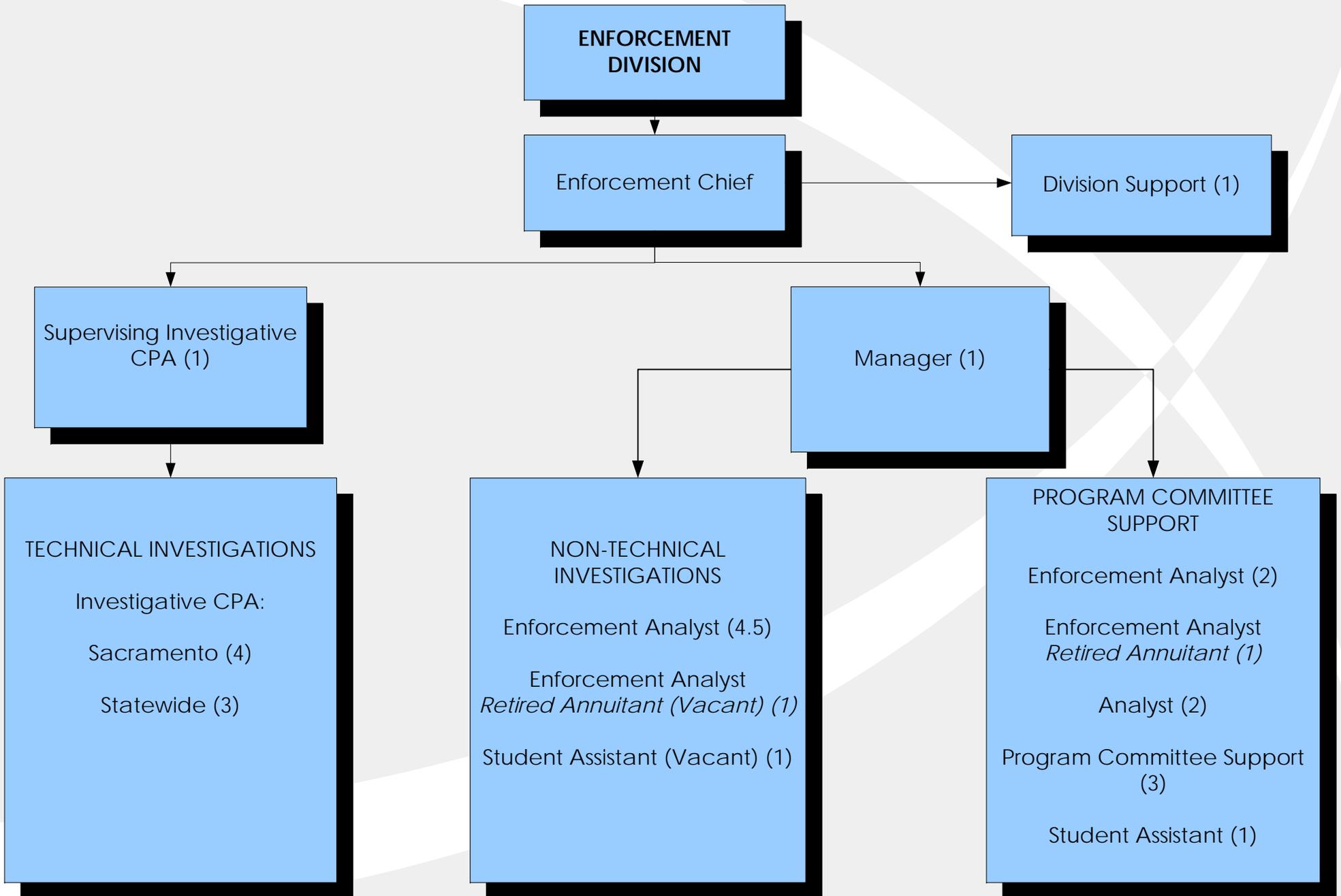
None.

Attachments

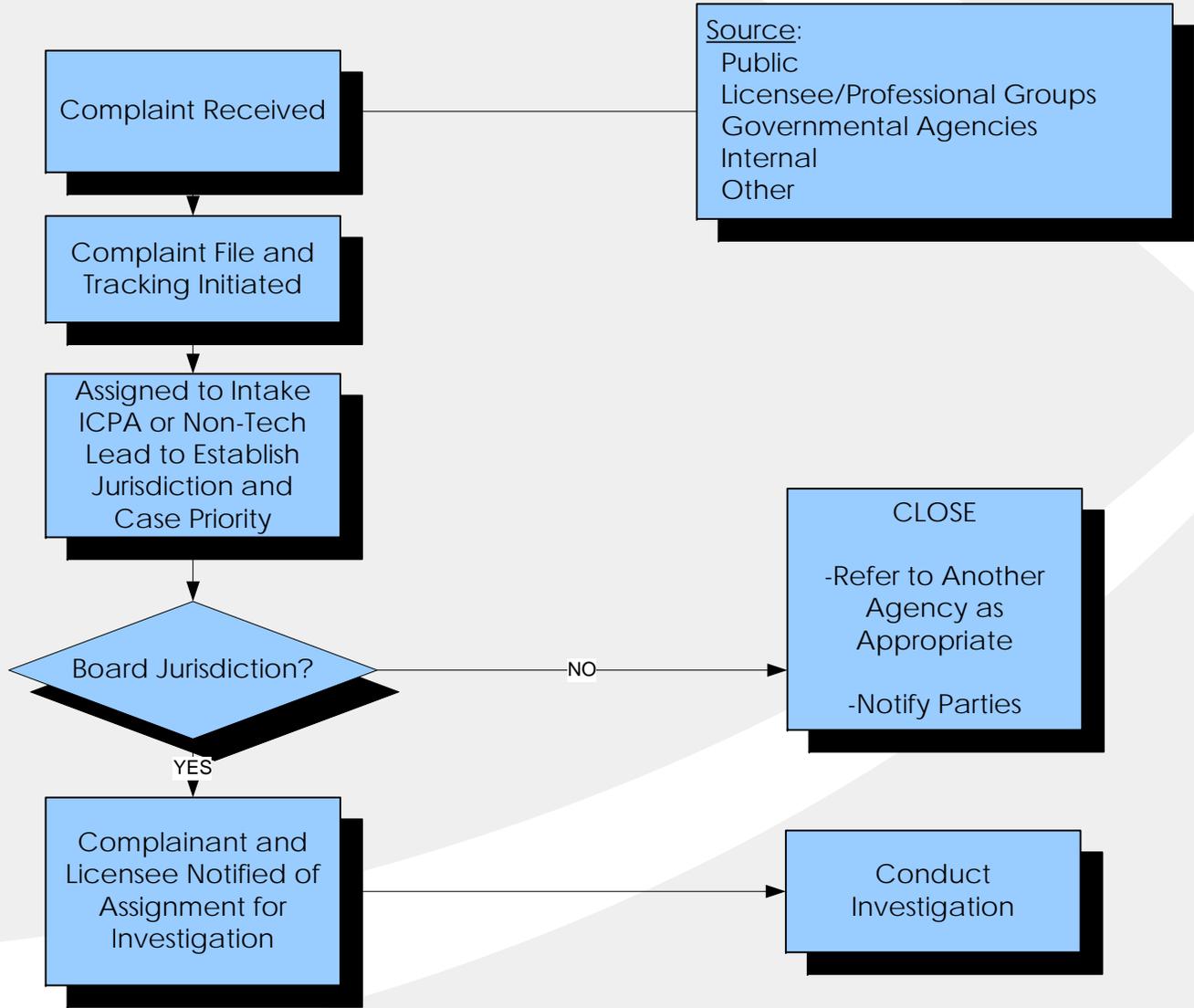
1. CBA Enforcement Division Organization Chart
2. CBA Enforcement Division Complaint Intake and Screening
3. CBA Enforcement Division Investigative Process
4. CBA Enforcement Division Case Prosecution
5. CBA Enforcement Division Probation Monitoring

CALIFORNIA BOARD OF ACCOUNTANCY ENFORCEMENT DIVISION ORGANIZATION CHART

Attachment 1

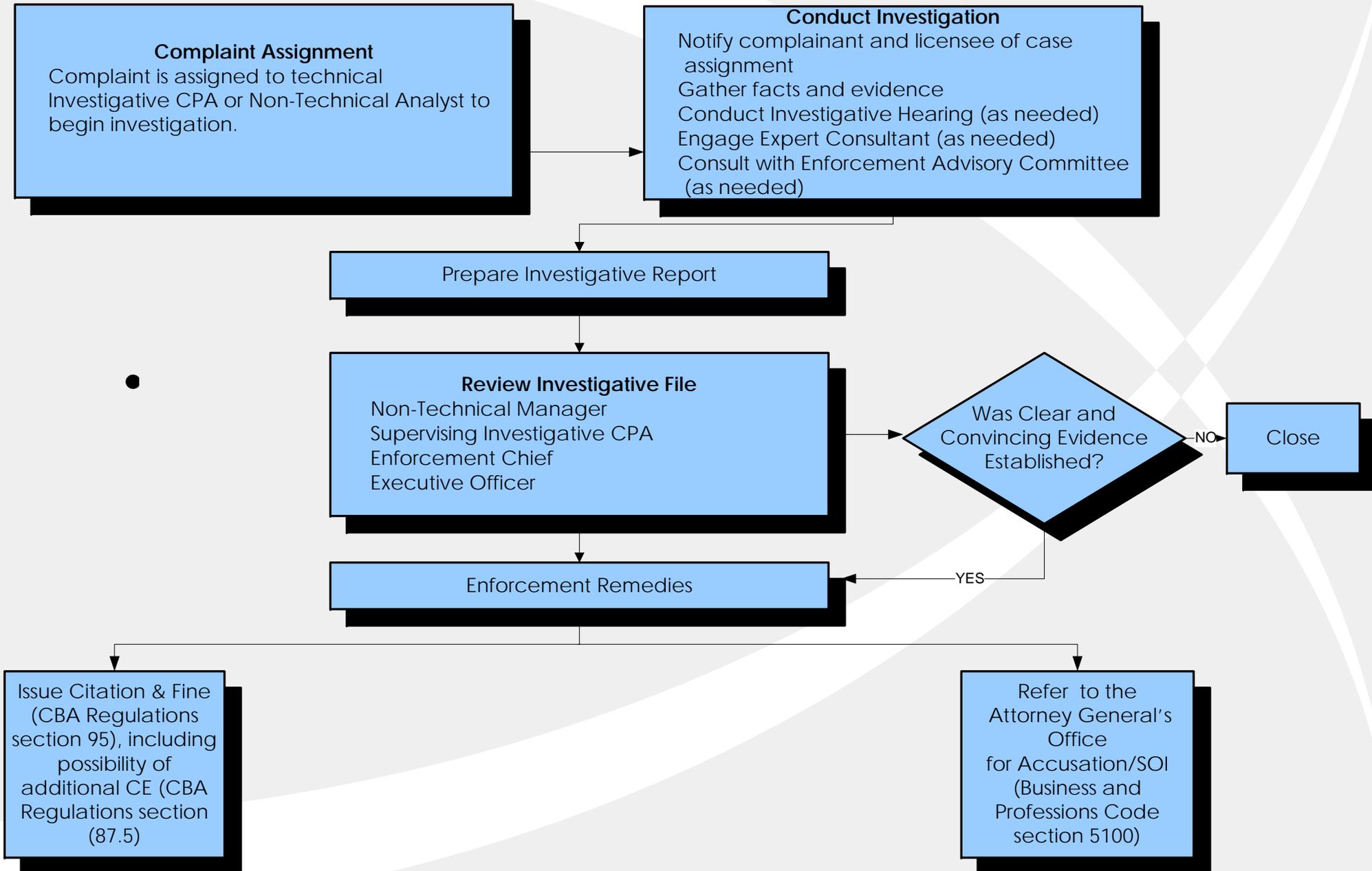


CALIFORNIA BOARD OF ACCOUNTANCY ENFORCEMENT DIVISION COMPLAINT INTAKE

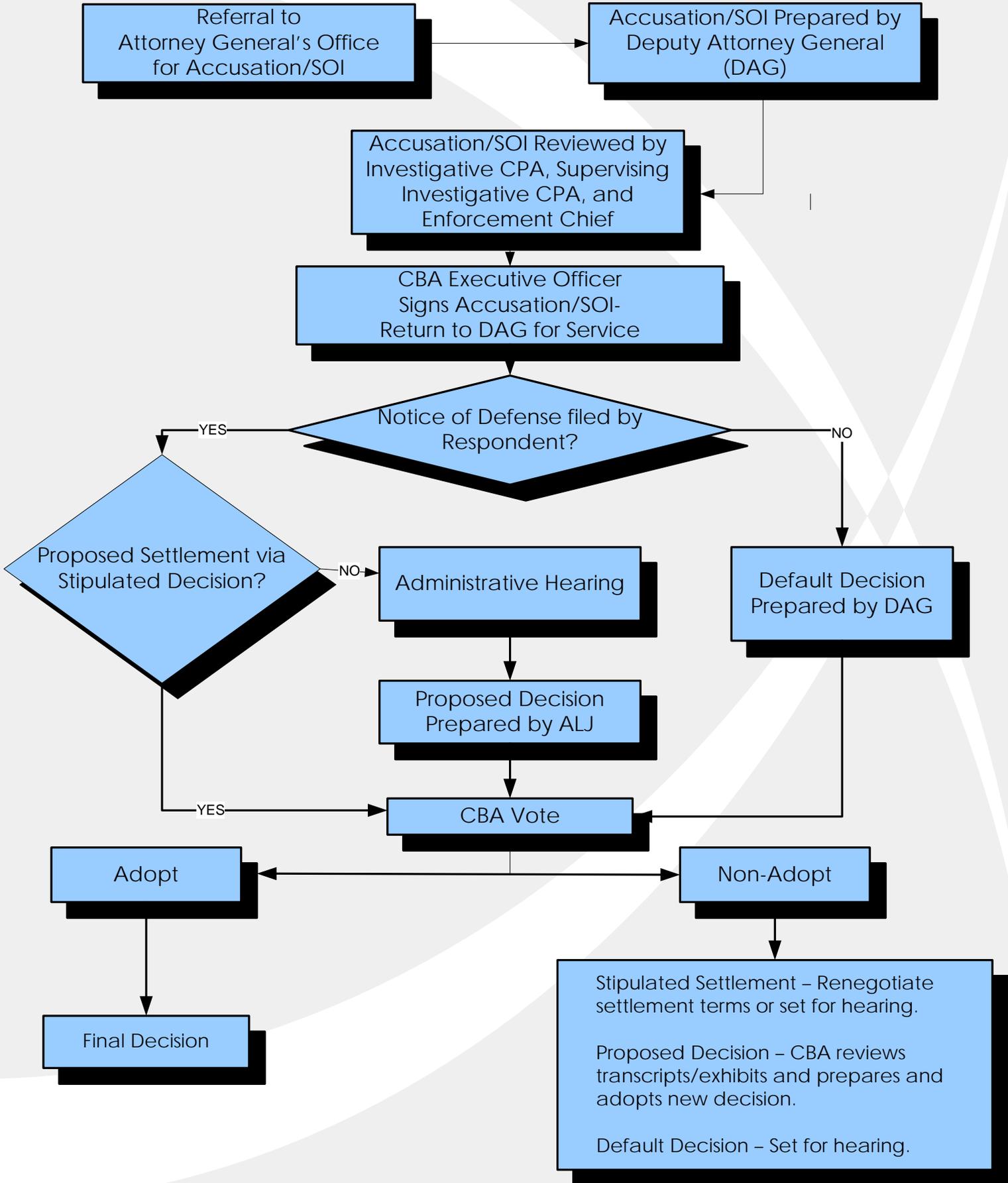


CALIFORNIA BOARD OF ACCOUNTANCY ENFORCEMENT DIVISION INVESTIGATIVE PROCESS

Attachment 3

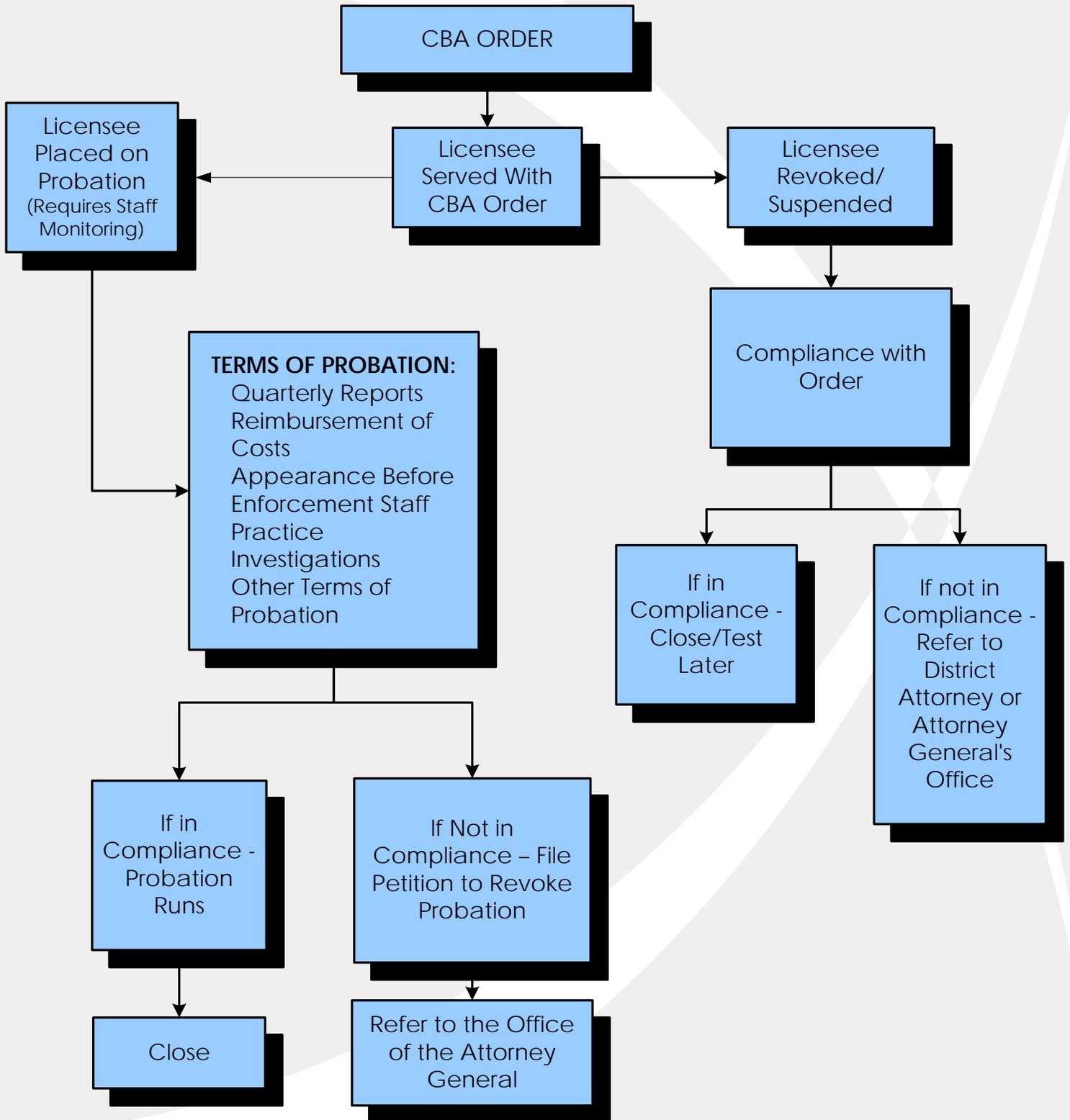


CALIFORNIA BOARD OF ACCOUNTANCY ENFORCEMENT DIVISION CASE PROSECUTION



CALIFORNIA BOARD OF ACCOUNTANCY ENFORCEMENT DIVISION PROBATION MONITORING

Attachment 5





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CBA Item II.A.
March 20-21, 2014

**Recommendations For Appointment(s)/Reappointment(s) to the
Enforcement Advisory Committee**

Presented by: Jose Campos, CPA, Vice President

Date: February 20, 2014

Purpose of the Item

The purpose of this agenda item is to recommend that Dale Best, CPA (**Attachment 1**) be appointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Action Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA's Enforcement Program.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities. A matrix identifying the present members and areas of expertise is included as **Attachment 2**.

I also confer with the CBA Executive Officer to verify that the potential appointee has 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.

Prior to making a decision to recommend Mr. Best for appointment to the EAC, I performed all the steps previously mentioned. I believe Mr. Best has demonstrated the skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

Fiscal/Economic Impact

None.

Recommendations For Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Page 2 of 2

Recommendation

Based on the information above, and in consultation with Cheryl Gerhardt, Chair of the EAC, I recommend that Dale Best be appointed for two years to the EAC effective March 20, 2014.

Attachments

1. Curriculum Vitae of Dale Best, CPA
2. Skill Matrix



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CBA Item II.A.
March 20-21, 2014

**Recommendations For Appointment(s)/Reappointment(s) to the
Enforcement Advisory Committee**

Presented by: Jose Campos, Vice President

Date: February 11, 2014

Purpose of the Item

The purpose of this agenda item is to recommend that Mary Rose Caras, CPA (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Action Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA's Enforcement Program.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities. A matrix identifying the present members and areas of expertise is included as **Attachment 2**.

I also confer with the CBA Executive Officer to verify that the potential appointee has 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 evaluation that is completed annually by the present chair of the committee. The evaluation requests feedback in the areas of interpersonal skills, communications, leadership, attendance, preparedness, technical skills, and participation.

Prior to making a decision to recommend Ms. Caras for reappointment to the EAC, I performed all the steps previously mentioned. I believe Ms. Caras has exhibited a high level of professionalism during the performance of her duties and has demonstrated the

Recommendations For Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Page 2 of 2

skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

Fiscal/Economic Impact

None.

Recommendation

Based on the information above, and in consultation with Cheryl Gerhardt, Chair of the EAC, I recommend that Mary Rose Caras be reappointed for two years to the EAC effective April 1, 2014.

Attachments

1. Curriculum Vitae of Mary Rose Caras, CPA
2. Skill Matrix



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CBA Item II.B.
March 20-21, 2014

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

Presented by: Jose Campos, CPA, Vice President
Date: February 27, 2014

Purpose of the Item

The purpose of this agenda item is to recommend that Tracy Garone, CPA (**Attachment 1**), David Evans, CPA (**Attachment 2**) and David Papotta, CPA (**Attachment 3**) be appointed as members to the California Board of Accountancy (CBA) 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

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities. A matrix identifying the present members and areas of expertise is included as **Attachment 4**.

I also confer with the CBA Executive Officer to verify that the potential appointee has 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.

Prior to making a decision to recommend Ms. Garone, Mr. Evans and Mr. Papotta for appointment to the QC, I performed all the steps previously mentioned. I believe Ms. Garone, Mr. Evans and Mr. Papotta have demonstrated the skills and knowledge to serve on the QC, which will allow the QC to assist the CBA with its Licensing Program.

Fiscal/Economic Impact

None.

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

Page 2 of 2

Recommendation

Based on the information above, and in consultation with Maurice Eckley, Chair of the QC, I recommend that Tracy Garone, David Evans and David Papotta be appointed for two years to the QC, effective March 20, 2014.

Attachments

1. Curriculum Vitae of Tracy Garone, CPA
2. Curriculum Vitae of David Evans, CPA
3. Curriculum Vitae of David Papotta, CPA
4. Skill Matrix



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CBA Item II.B.
March 20-21, 2014

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

Presented by: Jose Campos, CPA, Vice President
Date: February 11, 2014

Purpose of the Item

The purpose of this agenda item is to recommend that Charles Hester, CPA (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) 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

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities. A matrix identifying the present members and areas of expertise is included as **Attachment 2**.

I also confer with the CBA Executive Officer to verify that the potential appointee has 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 evaluation that is completed annually by the present chair of the committee. The evaluation requests feedback in the areas of interpersonal skills, communications, leadership, attendance, preparedness, technical skills, and participation.

Prior to making a decision to recommend Mr. Hester for reappointment to the QC, I performed all the steps previously mentioned. I believe Mr. Hester has exhibited a high level of professionalism during the performance of his duties and has demonstrated the

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

Page 2 of 2

skills and knowledge to serve on the QC, which will allow the QC to assist the CBA with its Licensing Program.

Fiscal/Economic Impact

None.

Recommendation

Based on the information above, and in consultation with Maurice Eckley, Chair of the QC, I recommend that Charles Hester be reappointed for two years to the QC, effective April 1, 2014.

Attachments

1. Curriculum Vitae of Charles Hester, CPA
2. Skill Matrix



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CBA Item III.A.
March 20-21, 2014

**Fiscal Year 2013-14 Mid-Year Financial Statement,
Including Information on Anticipated Loan Repayment Dates**

Presented by: Katrina Salazar, CPA, Secretary/Treasurer
Date: February 19, 2014

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the mid-year financial statement with information on loan repayment dates.

Action Needed

None.

Background

CBA financial statements are prepared quarterly (October, January, April, and August) and are included in CBA meeting materials. These statements provide an overview of year-to-date receipts, expenditures, and the status of the Accountancy Fund Reserve.

Comments

None.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

Attachments

1. Mid-Year Financial Statement – Narrative
2. Mid-Year Financial Statement – Statistics
3. CBA Budget Allocation History
4. CBA Total Revenue and Expenditures

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2013-14
MID-YEAR FINANCIAL STATEMENT - NARRATIVE
(for period of 7-01-13 through 12-31-13)



DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENT

BUDGET

The current fiscal year (FY) 2013-14 budget appropriation is now set at \$11,557,852 and has slightly changed from the \$11,574,000 figure previously reported in the first-quarter financial statement. The minor adjustments are detailed below:

- \$160,000 reduction of BreEZe expenditures due to delays
- \$35,682 increase in annual retirement rate expenses
- \$108,170 increase in employee compensation per new bargaining unit contracts

The FY 2014-15 CBA budget appropriation amount has been preliminarily set at \$13,413,000 representing an increase of approximately \$1.86 million over FY 2013-14 amounts. The majority of the increase is tied to the additional Budget Change Proposal (BCP) positions which are pending review and approval by the Legislature.

REVENUES/TOTAL RECEIPTS

During the second quarter of FY 2013-14, the CBA collected approximately \$5.5 million in total receipts. Total revenues increased about eight percent from the same period last year. Initial Licensing applications for the second quarter of FY 2013-14 reflect an increase of about 70 percent from the same quarter last fiscal year. (The CBA received an influx of applications prior to the new educational requirements becoming effective on January 1, 2014).

The CBA did not collect any practice privilege fees in FY 2013-14 as California's "mobility law" became effective on July 1, 2013.

The penalties and fines line item reflects a large increase due to a number of citations issued by the Enforcement Division for failure to respond to CBA inquiries regarding the peer review reporting requirement.

EXPENDITURES

Total expenditures through mid-year reflect an approximate fourteen percent increase over the same time period last fiscal year.

The salaries and wages line item increased 6.4 percent from the figure reported on the mid-year statement for FY 2012-13. This difference is due to two factors. First, the Personal Leave Program (PLP), which reduced employee wages in FY 2012-13, ended on June 30, 2013 resulting in higher FY 2013-14 wages. Second, a new bargaining contract provision provided staff at the top step of their salary range for one year or more, an additional three percent increase effective July 1, 2013. The remaining CBA staff who did not meet that

**CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2013-14
MID-YEAR FINANCIAL STATEMENT**

condition will receive a three percent increase once the one year experience requirement at the top salary step is met.

The temporary help line item reflects a 54 percent increase over the same time period last fiscal year due to the CBA hiring an additional six employees to assist with workload demands of the CBA Administration Unit, Initial Licensing Unit, Examination Unit, and the Enforcement Division. These staff members will assist the CBA in various capacities as the CBA prepares for the transition to BreEZe. The employees represent a mix of seasonal, permanent intermittent (temporary), and retired annuitant staff.

The printing and postage line items remain elevated due to peer review mail outs and mailing of the hardcopy UPDATE publication. Expenditures in this category will remain inflated over the rest of FY 2013-14 as a result of the U.S. Postal Service's recent increase in its first-class rates in January 2014 and mailing of fingerprint information with all license renewal applications.

In FY 2013-14, the CBA established multiple contracts with vendors who provide webinar and classroom-based continuing education (CE) training for the CBA's investigative CPAs. The training percentage increase over the previous time from last fiscal year is somewhat skewed due to timing of when actual training occurred, and the timing of when these expenditures are processed by the Department of Consumer Affairs (DCA). The CBA does not anticipate that annual training expenditures will exceed the Governor's Budget amount of \$27,000.

The Consultant and Professional Services line item reflects the CBA's use of additional subject matter expert consultants working with the Enforcement Division to investigate cases. In FY 2012-13, the CBA used two consultants; however, in FY 2013-14, the CBA utilized the assistance of four consultants.

Expenditures for the Consolidated Data Center increased due to the CBA retiring a slower in-house internet connection which it shared with a former tenant of the office building. The CBA subsequently moved to a high-speed gigabit service with consolidated IT services managed by the Office of Information Services. This consolidation was mandated by Assembly Bill 2408 (Chapter 404, Statutes of 2010).

The Exam line item appears to be inflated, however, year-to-date expenses for FY 2013-14 already include full annual costs. The FY 2012-13 mid-year expenditure amount only reflected half of what is spent in a typical year. Full annual amounts in this category are approximately \$135,000.

RESERVES

The CBA ended the second quarter with \$15.6 million or 16.2 months of expenditures in the Accountancy Fund Reserve (Reserve). It is projected that expenditures will exceed total

**CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2013-14
MID-YEAR FINANCIAL STATEMENT**

revenues by approximately \$438,000 in FY 2013-14. Expenditures are expected to outpace revenues by larger margins in subsequent years as the temporary fee reductions start in July 2014. Staff are projecting negative annual cash flows of approximately \$8.0 million in FY 2014-15 and 2015-16.

The Department of Finance (DOF) released new estimates for CBA loan repayments. An outstanding CBA loan of \$6 million is estimated to be repaid in FY 2016-17 and the remaining balance of the \$31.27 million outstanding is expected to be repaid after FY 2017-18. The DOF previously projected the loans to be repaid in FY 2014-15 and 2015-16 as reported in the year-end FY 2012-13 financial statement.

With higher expenditures expected for FY 2014-15 and beyond, staff project that the Reserve will be depleted before the end of FY 2015-16 and before the expiration of the temporary fee reductions. The Budget Bill repayment language that is included on every CBA loan made to the General Fund reads:

“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 reduction in service or through increased fees.”

Since this language specifies certain qualifications for repayment, it appears that repayment of some of the CBA loans will occur in FY 2015-16. CBA staff will monitor the Reserve carefully over the next two years and work with the DCA and the DOF to ensure timely repayment occurs to avoid insolvency.

Budgetary expenditure appropriation would not be automatically augmented should all of the loans or a majority of them be repaid at once. A BCP would need to be submitted for any increase to the CBA’s expenditure authority irrespective of Reserve levels. Increasing the expenditure authority, if warranted and approved by the DOF, could be one way to decrease the Reserve after a large windfall. Additional options might also include extended fee reductions or even fee holidays.

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2013-14
Mid-Year Financial Statement
(for period of 7/1/13 through 12/31/13)

Attachment 2

	FY 2013-14 Received/Expended 7/01/13 - 12/31/13 (6 months) [9]	FY 2012-13 Received/Expended 7/01/12 - 12/31/12 (6 months) [9]	% Change FY 2013-14 to FY 2012-13 to (A:B)	FY 2013-14 Annual Governor's Budget 7/01/13 - 6/30/14 (12 months) [10]	FY 2013-14 Receipts/Expenditures Over/Under Budget (D:A)	FY 2013-14 Annual Projections (12 months) [11]
RECEIPTS						
Revenues:						
Renewals [1]	3,209,249	3,175,768	1.1%	5,743,503	-44.1%	5,810,707
Examination Fees	1,437,657	1,381,874	4.0%	2,976,862	-51.7%	2,909,625
Licensing Fees	763,470	450,450	69.5%	971,350	-21.4%	1,545,224
Practice Privilege Fees	0	62,700	-100.0%	0	N/A	0
Miscellaneous [2]	18,564	26,764	-30.6%	55,359	-66.5%	76,981
Monetary Sanctions [3]	0	0	NA	0	NA	0
Penalties and Fines	135,280	54,000	150.5%	375,350	-64.0%	280,560
Total Revenues	5,564,220	5,151,556	8.0%	10,122,424	-45.0%	10,623,097
Interest	8,294	11,104	NA	0	NA	0
TOTAL NET RECEIPTS	5,572,514	5,162,660	7.9%	10,122,424	-44.9%	10,623,097
EXPENDITURES:						
Personal Services:						
Salaries & Wages	2,167,936	2,037,364	6.4%	4,440,516	-51.2%	4,318,199
Temporary Help	151,194	98,151	54.0%	137,000	10.4%	358,468
Total Salaries & Temp. Help	2,319,130	2,135,515	8.6%	4,577,516	-40.8%	4,676,667
Benefits						
Health Insurance	323,711	305,886	5.8%	829,418	-61.0%	676,182
Other Insurance and Miscellaneous	118,830	101,345	17.3%	77,086	54.2%	261,867
State Retirement	413,157	388,437	6.4%	900,947	-54.1%	824,726
Social Security	133,796	123,957	7.9%	312,609	-57.2%	269,771
Total Benefits [4]	989,494	919,625	7.6%	2,120,060	-118.2%	2,032,547
Total Personal Services:	3,308,624	3,055,140	8.3%	6,697,576	-50.6%	6,709,214
Operating Expenses:						
Fingerprints	10,872	9,767	11.3%	131,595	-91.7%	25,000
General Expense	74,424	57,155	30.2%	205,242	-63.7%	167,996
Printing	89,992	53,486	68.3%	84,608	6.4%	237,000
Communications	7,627	8,888	-14.2%	47,614	-84.0%	25,861
Postage	139,654	39,225	256.0%	130,872	6.7%	330,000
Travel: In State	65,910	49,560	33.0%	132,886	-50.4%	158,184
Training	18,412	2,076	786.9%	27,012	-31.8%	44,189
Facilities Operations	681,529	664,426	2.6%	613,818	11.0%	692,446
Consultant & Professional Services	160,313	41,269	288.5%	317,076	-49.4%	160,313
Departmental Services	705,746	638,940	10.5%	1,424,289	-50.4%	1,424,289
Consolidated Data Center	32,760	16,417	99.5%	41,846	-21.7%	40,770
Data Processing	3,237	4,189	-22.7%	70,103	-95.4%	14,286
Central Administrative Services	207,982	258,797	-19.6%	415,964	-50.0%	415,964
Exams	137,400	61,800	122.3%	0	NA	137,400
Enforcement	320,837	252,641	27.0%	1,463,551	-78.1%	787,686 [12]
Equipment	12,621	1,387	809.9%	49,800	-74.7%	83,100
Total Operating Expenses:	2,669,316	2,160,023	23.6%	5,156,276	-48.2%	4,744,484
TOTAL EXPENDITURES	5,977,940	5,215,163	14.6%	11,853,852	-49.6%	11,453,698
Less Scheduled Reimbursements [5]	59,836	9,319	542.1%	296,000	-79.8%	296,000
TOTAL NET EXPENDITURES	5,918,104	5,205,844	13.7%	11,557,852	-48.8%	11,157,698
RECEIPTS IN EXCESS OF EXPENSES	-345,590	-43,184		-1,435,428		-534,601
PLUS COST RECOVERY	48,868	562,515		0		134,360
BEGINNING RESERVES JULY 1 [6]	15,860,000	15,123,000		15,860,000		15,860,000
Total Resources	15,563,278	15,642,331		14,424,572		15,459,759
PROJECTED ENDING RESERVES	15,563,278	15,642,331	-0.5%	14,424,572		15,459,759
GENERAL FUND LOAN 2002 [7]	(6,000,000)					
GENERAL FUND LOAN 2003 [7]	(270,000)					
GENERAL FUND LOAN 2008 [7]	(14,000,000)					
GENERAL FUND LOAN 2010 [7]	(10,000,000)					
GENERAL FUND LOAN 2011 [7]	(1,000,000)					
MONTHS IN RESERVE (MIR) [8]	16.2	16.4		15.0		16.1

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2013-14
Mid-Year Financial Statement
(for period of 7/1/13 through 12/31/13)

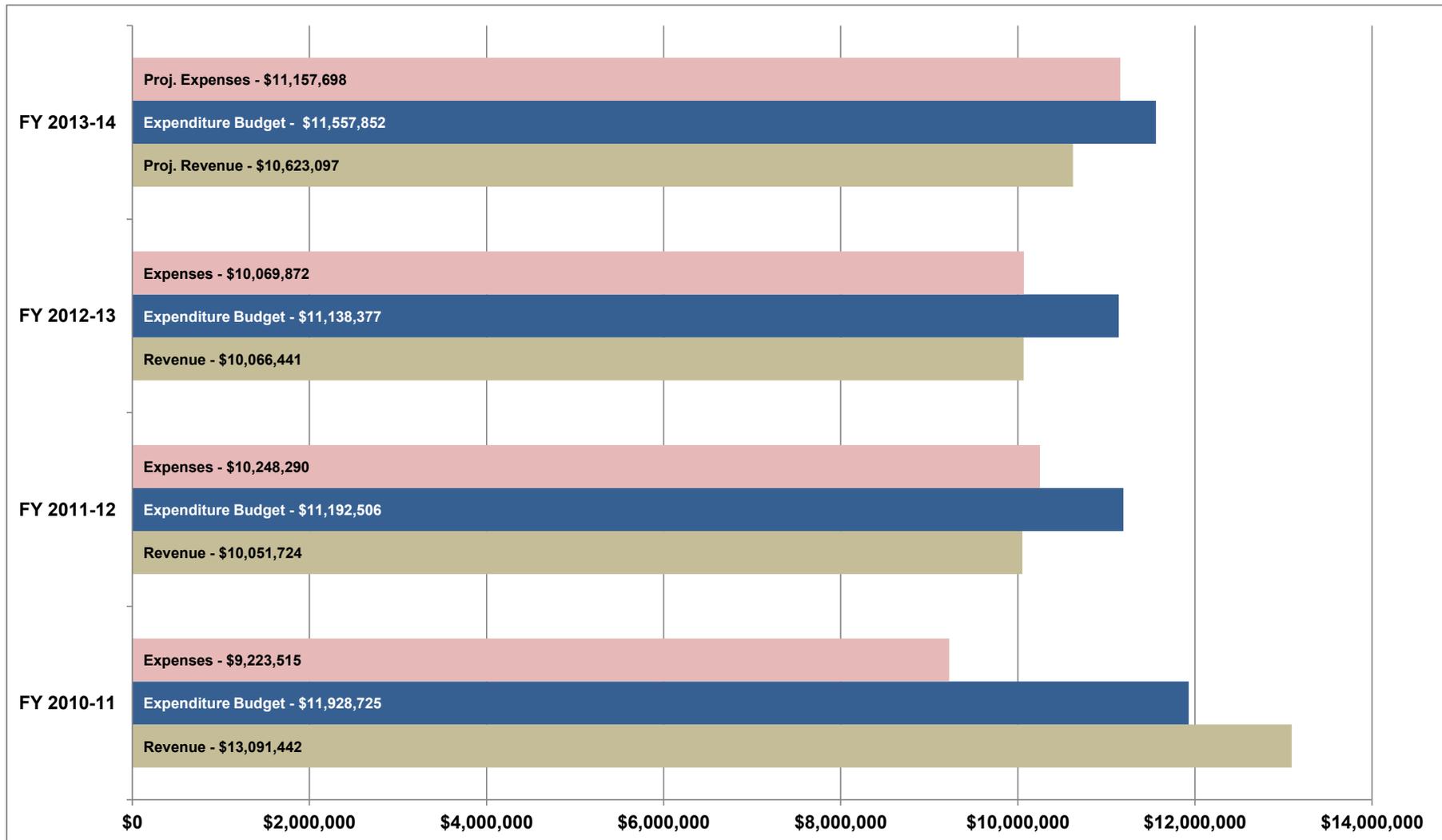
Footnotes:

- [1] Includes biennial renewals, delinquent and prior year renewals, and initial licenses.
- [2] Includes miscellaneous services to the public, dishonored check fees, certification fees, duplicate licenses, name changes, over/short fees, suspended revenue, prior year adjustments, and unclaimed checks.
- [3] Enforcement monetary sanctions received as components of stipulated settlements and disciplinary orders approved by the CBA. These orders bring to a conclusion any accusations that had previously been filed by the Executive Officer, and are separate from fines or citations.
- [4] 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] Scheduled reimbursements are expenses that the CBA initially incurs for another agency/individual but are later repaid for. The CBA reimbursements consist of security guard services that are shared with other building tenants as well as costs to process fingerprint cards from out-of-state licensees that do not have access to a Live Scan facility.
- [6] FY 2013-14 beginning reserve amount was taken from Analysis of Fund Condition statement, prepared by the Department of Consumer Affairs (DCA) Budget Office.
- [7] Funds borrowed per California Government Code Section 16320, which indicates that the Budget Act is the authority for the loans. The "terms and conditions" of the loans, per the Budget Act are: "The transfer made by this item is a loan to the General Fund. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer." (Estimated at .389% for 2011, .515% for 2010, 2.78% for 2008, 1.64% for 2003 loan, and 2.64% for 2002). "It is the intent of the Legislature that repayment be made so as to ensure that the programs supported by this fund are not adversely affected by the loan through a reduction in service or an increase in fees." Outstanding General Fund loans total \$31,270,000.
- [8] Calculation: Net expenditure authority for FY 2013-14 (\$11,557,852) divided by twelve months equals monthly expenditure authority (\$963,154). Total ending reserves divided by monthly authority equals "Months in Reserve" (MIR).
- [9] Received/Expended amounts through December 31, 2013 for FY 2013-14 and December 31, 2012 for FY 2012-13 include encumbrances, and are from DCA Budget Reports.
- [10] Figures reflect projected revenues from FY 2013-14 Workload and Revenue Statistics. expenditures are from the FY 2013-14 DCA Budget Galley STONE and the DCA Fund Condition statement.
- [11] This column reflects CBA's annual revenue and expenditure projections for FY 2013-14 based on six 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 FM06)											
Mid-Year FY 2013-14	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Board	
\$ Budgeted	\$11,557,852	127,993	860,445	1,332,593	533,006	1,550,464	4,580,456	2,056,711	437,199	78,985	
\$ Spent¹	\$5,977,940	45,462	579,350	662,160	312,183	778,794	1,957,892	1,322,394	247,120	72,585	
Authorized Positions²	75.9	1.0	6.0	11.0	4.0	11.0	22.5	17.4	3.0	0.0	
¹ Dollars spent through the Second Quarter ending December 31, 2013.											
² Three limited-term positions expired as of June 30, 2013. One permanent Practice Privilege office assistant position was eliminated via a negative BCP.											
FY 2012-13	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Board	
\$ Budgeted	\$11,138,377	210,426	866,598	1,300,985	605,291	1,155,907	4,462,554	2,000,197	417,059	119,360	
\$ Spent	\$10,069,872	173,158	811,677	1,182,577	563,050	1,299,912	3,442,237	2,129,545	470,587	122,987	
Authorized Positions³	79.9	2.0	6.0	12.0	5.0	11.0	22.5	18.4	3.0	0.0	
³ 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
\$ Budgeted	\$11,192,506	223,850	783,475	1,455,026	559,625	1,119,251	4,365,077	2,126,576	447,700	0.0	111,925
\$ Spent	\$10,248,290	169,721	957,906	1,217,073	555,507	1,016,342	3,552,814	2,093,066	586,124	0.0	99,736
Authorized Positions	83.5	2.0	7.0	12.0	5.0	11.0	22.5	20.0	4.0	0.0	0.0
FY 2010-11	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services ⁴	Board
\$ Budgeted	\$11,928,725	176,337	1,023,455	1,208,197	618,616	929,864	5,150,079	2,169,348	519,624	0	133,206
\$ Spent	\$9,223,515	140,127	883,475	1,230,379	530,717	980,654	2,743,474	2,118,158	478,714	0	117,816
Authorized Positions	84.0	2.0	9.0	15.0	5.0	8.0	20.0	21.0	4.0	0.0	0.0
⁴ The Client Services Unit was closed in 2010 and staff were redirected to the Examination, Enforcement, and RCC units.											

CBA Total Revenue and Expenditures





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CBA Item IV.C.2.
March 20-21, 2014

2013 PROC Annual Report

Presented by: Nancy J. Corrigan, Chair
Date: February 14, 2014

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with the Peer Review Oversight Committee's (PROC) 2013 Annual Report (Report) (**Attachment**).

Action(s) Needed

No specific action is necessary.

Background

Pursuant to CBA Regulations section 47(c), the PROC is required to report to the CBA annually regarding the results of its oversight, including the scope of work, findings, and conclusions.

Comments

CBA Regulations section 47(c) requires that the PROC report annually regarding its oversight of the CBA Peer Review Program. This Report also contains Peer Review Program information beyond the scope of those specific mandated requirements, in order to provide stakeholders with a summary of the historical genesis of the Peer Review Program as well as perspective regarding program implementation beyond just the PROC's activities. PROC activities and accomplishments, which represent the real focus of this Report, are iterated in Section X. "Activities and Accomplishments", beginning on page six of the Report.

Fiscal/Economic Impact Considerations

None.

Recommendations

It is recommended that the CBA continue to provide guidance to the PROC concerning oversight activities.

Attachment

Peer Review Oversight Committee's 2013 Annual Report to the CBA.



CALIFORNIA BOARD OF ACCOUNTANCY
PEER REVIEW OVERSIGHT COMMITTEE
2013 Annual Report



Table of Contents

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Appendices

- A. Report of the Task Force of the Peer Review Oversight Committee, Summary of Voluntary Peer Review Survey Comments Submitted from December 9, 2010 to September 18, 2012
- B. Are You Required to Get a Peer Review?
- C. Summary of Oversight of Out-of-State Peer Review Administering Entity

I. Message from the Committee Chair

I am proud to present the 2013 Annual Report of the Peer Review Oversight Committee (PROC) to the California Board of Accountancy (CBA). As we wrap up our third year, I am pleased to report that the PROC has again made significant progress in providing oversight to California's mandatory peer review program.

One of our most crucial goals was achieved this year. We were successful in working with the National Association of State Boards of Accountancy (NASBA) Compliance Assurance Committee (CAC) to provide an appropriate level of oversight to the National Peer Review Committee (NPRC). The NPRC administers peer reviews to the largest accounting firms in the country who also have significant impact on the public interest. So it was a huge accomplishment to learn that the leadership of NASBA agreed to allow State PROCs to participate in conference calls conducted by the CAC during which the CAC will discuss many important topics of interest to the PROC, including oversight of the NPRC. This oversight is necessary to ensure that the NPRC is administering peer reviews in accordance with the standards set by the American Institute of Certified Public Accountants (AICPA).

The PROC also implemented a procedure for providing oversight to AICPA's administering entities in other states that administer peer reviews to California-licensed accounting firms. This year the PROC reviewed the AICPA's oversight reports for Nevada, Oregon, Texas, and New York; each of these states administered at least ten peer reviews to California-licensed firms.

Of course, the PROC continues to provide a comprehensive level of oversight to the California Society of Certified Public Accountants (CalCPA), the administering entity responsible for administering peer reviews to the vast majority of accounting firms in California.

In summary, the PROC has now installed processes and procedures to oversight administering entities which accept peer reviews of California firms, regardless if the administering entity is located in-state, out-of-state, or in a nation-wide basis. This far reaching objective was established at the onset of the PROC. It is extremely fulfilling to me and the PROC members to reach this milestone.

As always, I would like to thank the CBA members for the continued direction and support of the PROC and its mission. I would like to thank the PROC members for another year of dedication and resolve; we would not have made these significant strides without their unending commitment.

Nancy J. Corrigan, CPA
Committee Chair

II. Background

In 2009, the CBA sponsored Assembly Bill 138 (AB 138) implementing mandatory peer review. AB 138 was signed by Governor Arnold Schwarzenegger and 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. Effective January 1, 2012, Senate Bill 543 removed the sunset language concerning mandatory peer review, making mandatory peer review permanent in California.

Peer review is defined as the study of a firm's accounting and auditing practice by an independent Certified Public Accountant (CPA) using professional standards, the purpose of which is to promote quality in the accounting and auditing services provided by CPAs.

As of July 2013, 51 licensing jurisdictions in the United States have made participation in a practice-monitoring program mandatory for licensure. Programs in four of these jurisdictions will go into effect in or after 2014.

III. PROC Responsibilities

The PROC derives its authority from Business and Professions Code (BPC) section 5076.1. The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The roles and responsibilities of the PROC are:

- Hold meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensure that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in Title 16, California Code of Regulations (CCR) section 48:
 - Conduct an annual administrative site visit.
 - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Conduct reviews of peer review reports on a sample basis.
 - Attend, on a regular basis, peer reviewer training courses.
- Evaluate any *Application to Become A Board-recognized Peer Review Provider* and recommend approval or denial to the CBA.
- Refer to the CBA any Provider that fails to respond to any request.
- Collect and analyze statistical monitoring and reporting data from each Provider on an annual basis.
- Prepare an Annual Report to the CBA regarding the results of its oversight.

IV. Committee Members

The PROC is comprised of seven members, all of whom must possess and maintain a valid and active license to practice public accountancy issued by the CBA. Members are appointed to two-year terms and may serve a maximum of four consecutive terms.

In 2012, five of the seven PROC members were reappointed to the PROC for their second term. In order to address succession planning concerns, to create varying member term expiration dates, and to all allow new members to be appointed to the PROC, two members were rotated from the PROC. Further, the position of Vice Chair was created and Robert Lee was appointed. His term as the Vice Chair expired on December 31, 2013, and Sherry McCoy was appointed Vice Chair effective January 1, 2014. Nancy Corrigan was reappointed as the Chair for another year. Jeffrey DeLyser was appointed to the PROC on March 21, 2013.

<u>Current members:</u>	<u>Term Expiration Date:</u>
Nancy J. Corrigan, CPA, Chair, 2nd	May 24, 2015
Robert Lee, CPA, Vice Chair, 2nd	May 24, 2015
Katherine Allanson, CPA, 2nd	May 24, 2015
Jeffrey DeLyser, CPA, 1st	March 21, 2015
Sherry McCoy, CPA, 2nd	May 24, 2015
Seid Sadat, CPA, 2nd	May 24, 2015
Vacant	

V. Legislation and Regulations

Effective January 1, 2013, BPC section 5076 was amended to allow licensees to renew their license into an inactive status without having a peer review. A peer review is required prior to the licensee converting or renewing back to an active status.

Effective January 1, 2014, Title 16, California Code of Regulations (CCR) sections 40 and 45 were amended requiring licensees to report specific peer review information on the Peer Review Reporting Form at the time of license renewal. The revised language also clarifies that any firm that performs specific services for the first time, whether it is newly licensed or simply new to performing those services, must complete a peer review within 18 months of the date it completes those services.

The three-year phase in period for peer review reporting ended on July 1, 2013, which was the deadline for the last group of licensees to submit the Peer Review Reporting Form. As noted above, beginning in 2014, Peer Review Reporting Forms will be submitted with the licensee's license renewal application.

VI. Reporting Requirements

Pursuant to BPC section 5076(n)(1), the CBA is required to provide the Legislature and Governor with a report regarding the peer review requirements that include, without limitation:

- The number of peer review reports completed to date and the number of substandard peer review reports which were submitted to the board.
- The number of enforcement actions that were initiated as a result of an investigation of a failed peer review report.
- The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.
- The extent to which mandatory peer review of accounting firms enhances consumer protection.
- The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.
- A recommendation as to whether the mandatory peer review program should continue.
- The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.
- The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting.
- The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.
- A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.

In keeping with its purpose, the PROC is willing to assist the CBA in any way necessary in preparing the report that is due to the Legislature and Governor on January 1, 2015. CBA staff will commence drafting the report in calendar year 2014.

VII. Statistics

The following statistics provide perspective on the size of the peer review program in California.

With the implementation of mandatory peer review, all licensees are required to submit a Peer Review Reporting Form (Form PR-1(1/12)) to the CBA on the following schedule:

- Licensees with a license number ending in 01-33 by July 1, 2011;
- Licensees with a license number ending in 34-66 by July 1, 2012;
- Licensees with a license number ending in 67-00 by July 1, 2013.

The chart below displays information gathered by the CBA during the three-year phase in period. Licensees used the Peer Review Report Form to self-report whether or not they operate as a firm, and if so, whether the firm is subject to peer review.

Peer Review Reporting Forms Received by the CBA*						
License Ends In	Reporting Date	Firms Requiring Peer Review	Firms Not Requiring Peer Review	Licensees Not Operating as a Firm	Total	Licensees That Have Not Reported
01-33	July 1, 2011	2,605	4,301	15,757	22,663	51
34-66	July 1, 2012	2,144	4,006	13,122	19,272	101
67-00	July 1, 2013	1,993	3,882	14,043	19,918	1,046
Total		6,742	12,189	42,922	61,853	1,198

* Data as of December 31, 2013.

As mentioned on page 3, Section V, the three-year phase in implementation period ended on July 1, 2013, and the information depicted in the above table will no longer be available. Instead, licensees will report their peer review information at the time of license renewal.

The data in the following table reflects the number of peer review reports accepted by the CalCPA in 2011, 2012, and 2013. The CalCPA administers the largest portion of peer reviews to California-licensed firms.

Type of Review	Peer Review Reports Accepted by the CalCPA*			
	2011	2012	2013	Total
System	406	648	517	1,571
Engagement	870	1,253	1,184	3,307
Total	1,276	1,901	1,701	4,878

*Data received from CalCPA as of December 31, 2013.

The table does not include statistics for peer reviews accepted by the NPRC or out-of-state administering entities.

VIII. Peer Review Voluntary Survey

In order to gather information on the impact of mandatory peer review, the CBA developed a voluntary survey for firms to complete as they submit their Online Peer Review Reporting Form. The survey went live on the CBA website on December 9, 2010. The PROC established a task force comprised of two PROC members to review the survey comments collected through September 18, 2012. The task force reviewed 339 surveys submitted by peer review firms largely in response to the following survey questions:

- Do you believe that undergoing peer review has helped to improve your overall service to your clients?
- Do you, or will you, use peer review as a marketing tool to potential clients?
- To eliminate the need for future peer review, will you cease providing the services which trigger a mandatory peer review under the law?
- Do you have any additional comments on the peer review process?

At the June 21, 2013 PROC meeting, the task force submitted their report (**Appendix A**) and made the following recommendations:

1. Provide more education on the benefits of peer review.
2. Provide more education on the concept that a CPA's primary objective is to protect the public interest.
3. Provide a simple chart showing the chronology of the peer review process.
4. CalCPA should continue to remind peer reviewers about the best approach to the peer review process when working with firms.

The recommendations of the task force were implemented by revising existing CBA publications and creating an easy to follow flow chart of the peer review process to post to the CBA website (**Appendix B**).

IX. Board-recognized Peer Review Program Providers

a. AICPA

The AICPA is currently the only Board-recognized Peer Review Program Provider. Through regulation, the CBA established that the AICPA Peer Review Program meets the standards outlined in CCR section 48. Further, the CBA accepts all AICPA-approved entities authorized to administer the AICPA Peer Review Program. At present, there are 42 administering entities.

The Peer Review Program provides for a triennial review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. There are two types of peer reviews. System reviews are designed for firms that perform audits or other similar engagements. Engagement reviews are for firms that do not perform audits but perform other accounting work such as compilations and/or reviews. Firms can receive a rating of pass, pass with deficiency, or fail. Firms that receive ratings of pass with deficiency or fail must perform corrective actions.

i. CalCPA

CalCPA administers the AICPA Peer Review Program in California. As the administering entity, CalCPA is responsible for ensuring that peer reviews are performed in accordance with the AICPA's *Standards*. The CalCPA Peer Review Committee (PRC) monitors the administration, acceptance, and completion of peer reviews.

ii. NPRC

The AICPA also administers a peer review program through the NPRC firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) or perform audits of non-Securities and Exchange Commission (SEC) issuers pursuant to the standards of the PCAOB. The NASBA CAC provides oversight of the NPRC.

iii. Other State Societies

California-licensed accountancy firms with their main office located in another state are required to have their peer review administered by AICPA's administering entity for that state. In most cases, the administering entity is the state CPA society in that state.

X. Activities and Accomplishments

Following are the salient activities and accomplishments of the PROC during 2013.

a. Administrative Functions

i. Committee Meetings

The PROC holds meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.

The PROC held four meetings as follows:

- February 22, 2013 – Glendale
- June 21, 2013 – Sacramento
- August 23, 2013 – Ontario
- November 1, 2013 – Sacramento

The PROC Chair attended six CBA meetings to report on PROC activities, one of which was prepared by and reported on by the PROC Vice Chair.

ii. PROC Procedures Manual

The PROC updated its Procedures Manual which outlines specific procedures and processes to fulfill its duties. Updates include procedures for providing oversight of other states' peer review programs, an updated copy of the AICPA's Glossary of Terms, Acronyms, and Abbreviations, a revised organizational chart, the removal of the Summary of Sample Reviews checklist, and the addition of the Summary of Oversight of Out-of-State Administering Entities checklist.

iii. Oversight Checklists

The PROC developed oversight checklists which serve to document the members' findings and conclusions after specific oversight activity. Members submit the completed checklists to the CBA for future reference.

The following new checklist was created to track oversight activities:

- Summary of Oversight of Out-of-State Peer Review Administering Entity (**Appendix C**)

Checklists previously developed include:

- Summary of Peer Review Committee Meeting
- Summary of Peer Review Subcommittee Meeting
- Summary of Administrative Site Visit
- Summary of Peer Reviewer Training Course
- Peer Review Board Meeting Checklist
- Peer Review Program Provider Checklist

The checklists are part of the PROC Procedures Manual. Additional checklists will be developed if deemed necessary.

iv. Approval of Board-recognized Peer Review Program Providers

At such time that the CBA receives an Application to Become a Board-recognized Peer Review Program Provider, the PROC will review the application and documentation and determine if the program meets the requirements outlined in Title 16, CCR section 48. Based on the review, the PROC will provide a recommendation to the CBA that the application be approved or denied.

The Peer Review Program Provider Checklist is used to evaluate applications.

v. Withdrawal of Board Recognition of a Peer Review Program Provider

The PROC has not made any recommendations to the CBA concerning the withdrawal of Board recognition of a peer review program provider.

b. Program Oversight

The PROC is charged with providing oversight of all Board-recognized peer review program providers to ensure that peer reviews are being administered in accordance with the standards adopted by the CBA.

During 2013, the PROC performed several activities to assess the effectiveness of the AICPA's Peer Review Program and its administering entities in California, the CalCPA and the NPRC.

i. AICPA

A. AICPA Peer Review Board

The AICPA PRB is responsible for maintaining, furthering and governing the activities of the Program, including the issuance of peer review standards, and peer review guidance, while being mindful of the profession's covenant to serve the public interest with integrity and objectivity. The PRB holds four meetings per year.

During 2013, one to two PROC members observed three of the four PRB meetings:

- January 25, 2013 – in person
- May 7, 2013 – conference call
- August 14, 2013 – conference call

ii. CalCPA

A. Peer Review Committee

The CalCPA Peer Review Committee is responsible for ensuring that the peer review program is performed in accordance with the standards and guidance issued by the AICPA's PRB. The PRC meets in person twice a year. PROC members observe how the PRC executes its duties in the meeting to determine whether or not this aspect of the peer review process is operating effectively in the State of California.

During 2013, two PROC members attended each of the following PRC meetings:

- May 9-10, 2013 – San Diego
- November 21-22, 2013 – Yountville

B. Report Acceptance Body (RAB)

The CalCPA holds multiple RAB meetings per year. The RAB meetings generally occur via conference call. RAB members review and present the peer review reports subject to discussion on a general call. PROC members observe how the RAB executes its duties in the meeting to determine whether the peer review process is operating effectively in the state of California.

During 2013, one to two PROC members observed each of the following RAB meetings via teleconference or in person:

- May 9, 2013 – in person
- August 21, 2013 – conference call
- September 24, 2013 – conference call
- November 22, 2013 – in person

C. Administrative Site Visit

The PROC is charged with conducting, at a minimum, an annual Administrative Site Visit of each Provider to determine if the Provider is administering peer reviews in accordance with the standards adopted by the CBA.

On May 15-16, 2013, the PROC reviewed the CalCPA's administration of the AICPA's Peer Review Program as part of the oversight program for the CBA. As an administering entity, CalCPA is responsible for administering the AICPA Peer Review Program in compliance with the AICPA *Standards for Performing and Reporting on Peer Reviews*, interpretations, and other guidance established by the board. The PROC's responsibility is to determine whether the peer review program complies with the Minimum Requirements for a Peer Review Program, pursuant to Title 16, CCR, section 48.

The following procedures were performed as part of the PROC's oversight responsibilities:

- Reviewed policies and procedures utilized by CalCPA to govern its peer review program process;
- Read correspondence and other available documentation from other oversight activities performed at CalCPA;
- Reviewed the Report Acceptance Body assignment binder;
- Selected a sample of peer review reports and associated files for review;

- Discussed the peer review committee member and individual peer reviewer qualifications process with CalCPA personnel and select a sample for inspection of resumes and other documentation.

Based on the results of the procedures performed, the PROC concluded that the CalCPA has complied with the Minimum Requirements for a Peer Review Program.

D. Sample Reviews

This oversight activity was completed on May 15-16, 2013, in conjunction with the administrative site visit.

E. Peer Reviewer Training

The PROC is responsible for ensuring that peer review providers develop a training program designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews.

The CalCPA Education Foundation offers two types of peer reviewer trainings. A two-day course for new peer reviewers and a one-day refresher course are offered each year.

During 2013, PROC members attended the one-day training course *AICPA's Advanced Workshop: Practical Guidance for Peer Reviewers* on May 8, 2013 and July 25, 2013.

F. CalCPA Annual Report on Oversight

The AICPA requires that each administering entity perform oversight of their peer review program every other year, alternating with the year that AICPA conducts its oversight visit. CalCPA's Peer Review Administrative Committee (PRAC) monitors the oversight process. Each member of the PRAC has been approved by the Council of CalCPA and has current audit experience.

The PROC reviewed the CalCPA Peer Review Program Annual Report on Oversight for Calendar Year 2011. The oversight report summarizes the results of the mandated oversight of 2% of all reviews processed during the year, and verification of the resumes and continuing professional education of one third of peer reviewers. For peer reviews conducted in 2011, 13 system reviews and 12 engagement reviews were subject to the oversight process. Sixty-one of 129 peer reviewer's resumes were verified by CalCPA.

G. AICPA Oversight Visit Report of CalCPA

The AICPA conducted an oversight visit of CalCPA on November 14-16, 2012. The AICPA Oversight Visit Report was issued on November 16, 2012, and accepted by the AICPA PRB Oversight Task Force on May 6, 2013. The next oversight visit will be conducted in 2014.

The PROC reviewed the report which concluded that CalCPA has complied with the administrative procedures and standards in all material respects as established by the board.

iii. NPRC

A. Third-Party Administrative Oversight Visit

The PROC reviewed the report of the third-party Administrative Oversight Visit to the NPRC conducted by the accounting firm of Ray, Foley, Hensley & Company, PLLC, on September 25-26, 2012. The purpose of the administrative oversight visit is to ensure that the AICPA Peer Review Program is being administered in accordance with guidance as issued by the AICPA Peer Review Board. The PROC also reviewed the AICPA's written response to the oversight visit report.

B. Compliance Assurance Committee (CAC)

The NASBA CAC provides oversight of the NPRC.

The PROC has continued to work with the CAC to develop a process to provide oversight to the NPRC, including participation in CAC conference calls.

The CAC agreed to provide the PROC with a copy of its second Annual Oversight Report, and the Annual Oversight Report on the AICPA Peer Review Program for the NPRC. The PROC will review these reports once they are received from the CAC. The CAC is also exploring options for allowing PROC members to observe CAC meetings.

iv. Other State Societies

Most California-licensed firms use CalCPA or NPRC to administer their peer reviews. There are some California-licensed firms that have their peer reviews administered by AICPA administering entities other than CalCPA and NPRC, meaning out-of-state CPA societies.

The PROC will review the AICPA oversight visit report and the state PROC's annual report, if available, for a selection of out-of-state administrative entities each year. All AICPA Oversight Visit Reports are reviewed and accepted by the AICPA PRB Oversight Task Force (OTF)

In 2013, the PROC reviewed the most recent AICPA Oversight Visit Reports for Nevada, Oregon, Texas, and New York, as follows:

- Nevada Society of CPAs:
 - Oversight Visit Report, September 21, 2012
 - Accepted by AICPA PRB OTF, January 24, 2013
- Oregon Society of CPAs
 - Oversight Visit Report, September 28, 2012
 - Accepted by AICPA PRB OTF, January 24, 2013
- New York State Society of CPAs:
 - Oversight Visit Report, September 12, 2012
 - Accepted by AICPA PRB OTF, May 6, 2013
- Texas Society of CPAs:
 - Oversight Visit Report, December 9, 2011
 - Accepted by AICPA PRB OTF, May 7, 2012

c. Other Activities

i. NASBA PROC Summit

The PROC Summit is a conference held by the NASBA CAC every other year to support and promote Peer Review Oversight as a critical and valuable practice for all Boards of Accountancy. The conference is intended to assist Boards in learning how to establish a new PROC and also share experiences among existing PROCs to help each Board be more effective with Peer Review Oversight. Sessions and content are formed based on the most requested information by Accountancy Board Members and PROC Members considering the goals and objectives of the CAC. The first NASBA PROC Summit was held in 2011. The PROC did not participate in the NASBA PROC Summit due to out-of-state travel restrictions.

The second NASBA PROC Summit was held on July 10, 2013 in Nashville, TN. The PROC Vice Chair participated via webcast. Additionally, the PROC submitted an issue paper on how failed peer reviews are treated by the CBA and submitted 13 questions for consideration and discussion by the CAC and participants of the Summit.

XI. Findings

Based on PROC members' attendance at the various peer review bodies' meetings cited in this report, the PROC offers the following findings to the CBA.

AICPA

The PROC found the AICPA PRB to have well-prepared materials, and good communication of meeting expectations as well as administration of peer review standards and processes. The PRB is a very high level technical group that is extremely knowledgeable and focused in dealing with peer review issues.

CalCPA

The PROC found the CalCPA PRC met expectations concerning knowledge of peer review acceptance procedures and corrective/monitoring actions.

Through participation in four RAB meetings, the PROC was impressed with how RAB members discussed the issues and came to conclusions. It was also noted that RAB members commented on technical and procedural matters for further discussion at the semi-annual PRC meetings.

NPRC

In 2013, the PROC was successful in working with the CAC to develop a process for providing an appropriate level of oversight to the NPRC. Beginning in 2014, the PROC will participate in CAC meetings in addition to reviewing annual oversight and administrative sight visit reports prepared by the AICPA and the CAC.

XII. Conclusions

Based on its oversight activities, the PROC concluded that the AICPA Peer Review Program, including its administering entities, CalCPA and NPRC, function effectively. The PROC recommends that the CBA continue to recognize the American Institute of Certified Public Accountants as a peer review program provider.

**Report of the Task Force of the
Peer Review Oversight Committee
Summary of Voluntary Peer Review Survey Comments
Submitted from December 9, 2010 to September 18, 2012**

Following is a summary of the comments that were submitted for the period from December 9, 2010 to September 18, 2012 from the peer review voluntary surveys. These comments were maintained on a confidential basis by CBA staff and were presented in a numbered list format to the PROC sub-committee for review and summarization for the purpose of determining whether the peer review process can be improved as a result of the survey comments submitted by peer reviewed firms. There were 339 comments that were listed from the survey that were largely in response to the following survey questions:

- Do you believe that undergoing peer review has helped to improve your overall service to your clients? (Survey question 7)
- Do you, or will you, use peer review as a marketing tool to potential clients? (Survey question 9)
- To eliminate the need for future peer review, will you cease providing the services which trigger a mandatory peer review under the law? (Survey question 10)
- Do you have any additional comments on the peer review process? (Survey question 11)

The tabulation of the responses to these questions is complicated in that many of them covered multiple questions in their responses; however the PROC task force attempted to identify the salient topic of the response in including it within the tabulation. We identified nine categories of responses with their respective tabulations as follows:

(1) The profession has too many disclosure requirements and continuing education requirements along with the peer review requirement; the professional standards are overly burdensome.	6
(2) The peer review process is overly time consuming, costly, and a burden on small firms.	77
(3) The peer review process is educational, helpful and a necessity to maintain the quality of firms practicing in public accounting.	116
(4) The administration process over peer reviews, knowing who to contact, making the arrangements, due dates, having data requested by the administering entity and the peer reviewer and who to respond to with the final report, was very confusing.	35
(5) The peer review process is required too frequently for firms and should be extended over a longer period of time (five years, etc.)	8
(6) If firms perform no audits, perform only compilations without disclosure or just a few compilations with disclosure, they should be exempt from peer review.	41
(7) The process from having the peer review to being accepted is too long.	4
(8) The peer review process is not helpful, does not mean anything to clients, has no positive influence on clients, is punitive to the firms and of no benefit to the firms or their clients.	45
(9) Other.	<u>7</u>
Total responses	<u>339</u>

Report of the Task Force of the Peer Review Oversight Committee
Summary of Voluntary Peer Review Survey Comments
Page 2 of 3

Please note that category numbers 2 and 6 could be combined as they generally pertain to the time requirement and the cost of completing a peer review even if category 6 responders did not specifically mention the time or cost factor.

Additional Comments

- Numerous responding indicated that even with peer review they see substandard work when they obtain a new client, thus there is no benefit to the peer review process.
- Numerous responding did not see the impact that a few compilations have on the public (clients, bankers, etc.) and saw no risk to performing a few engagements and being exempt from peer review. They saw no value given the small practice that they have. Some believe that since they are retired or work part-time, they should not have to undergo peer review.
- Numerous responding saw no benefit to the process, and high cost, if they are only occasionally preparing financial statements without disclosures.
- Many small firm responders blame larger firms for getting their own clients and their own firms into trouble and then creating the peer review process for all firms.
- Many responding plan to reduce their practice to avoid the cost of the peer review process.
- Several responses indicated that to pay both a peer reviewer and the administering entity was unfair, with the total cost many times being all of their profits or a large percentage of what they bill the client. Many are unable to pass the cost to the client.
- Several responses compared CPAs to other professions (doctors and lawyers) who do not have similar requirements, indicating that the peer review process is punitive rather than educational. Some indicated that CPAs do not need to be regulated by the government.
- Several responded that the additional 24-hour continuing education required should be sufficient and that a peer review on top of this is excessive.

Recommendations of the Task Force

- (1) Provide more education on the benefits of peer review, including (a) the promotion of quality and consistency between CPA firms, (b) the educational benefits to smaller firms, and (c) the benefit of peer review as a marketing tool.
- (2) Provide more education on the concept that a CPA's primary objective is to protect the public interest. To do this CPAs need to understand that they need to promote an environment whereby the public is protected by this primary objective, and that peer review and the regulations that we practice by are designed to ensure this.
- (3) Provide a simple chart showing the chronology of the beginning of the peer review process, who administers it and how it became to be self-policing. This is important to resolve the mystery that seems to surround peer review and its development and current process.

Report of the Task Force of the Peer Review Oversight Committee
Summary of Voluntary Peer Review Survey Comments
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- (4) CalCPA should continue to remind peer reviewers about the best approach to the peer review process when working with the firms and that it is not to be punitive in nature. Comments from firms on the voluntary survey should be shared with the peer reviewers to facilitate this process.

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Are You Required to Get a Peer Review?

You need a peer review if you perform any accounting and auditing services using the following professional standards:

- Statements on Auditing Standards (SASs)
- Statements on Standards for Accounting and Review Services (SSARS)*
- Statements on Standards on Attestation Engagements (SSAEs)
- Government Auditing Standards
- Audits of non-Securities and Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB)

The peer review must be accepted within 18 months after the first engagement or three years since your last peer review.

To enroll for a peer review, contact:
California Society of Certified Public Accountants (CalCPA)
at (650) 522-3094 (www.calcpa.org), or
National Peer Review Committee (NPRC)
at (919) 402-4502, press 2 (PRSupport@aicpa.org)

CalCPA/NPRC will work with you to select a peer reviewer and schedule the peer review.

Once the peer review is completed, you are required to report the results of your peer review on the Peer Review Reporting Form (PR-1) Form to the California Board of Accountancy (CBA).

Report your peer review results by submitting the PR-1 form to the CBA with your license renewal application.

Questions? Contact the CBA's Peer Review Unit at (916) 561-1706 or visit the website at www.cba.ca.gov.

* Firms, which as their highest level of work, perform only compilations where no report is issued in accordance with the provision of SSARS are not required to undergo peer review.



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Peer Review Oversight Committee

Summary of Oversight of Out-of-State Peer Review Administering Entity

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) is entrusted to ensure that peer reviews are conducted in accordance with standards established by the California Board of Accountancy (CBA) and administered by the Board-recognized peer review program provider (Provider). Consistent with its legislative mandate, the PROC provides oversight of the Provider's out-of-state administering entities if those entities accept peer review reports pursuant to Business and Professional Code Section 5076 and CBA Regulations Sections 38-48.6. In conducting its oversight, the PROC may review oversight reports prepared by the Provider. These matters are then summarized and reported to the CBA as part of the PROC reporting.

Date: _____

Name of State/Administering Entity: _____

Evaluation of Provider Oversight Report	YES	NO	N/A
1. Did the Provider perform oversight of the Administering Entity (AE) of this state? If so, what is the date of the oversight?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Is there a report available from the Provider?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Were there any findings of concern? If yes, please list:			
4. Were there any recommendations from the Provider? If yes, please list:			
5. Did the AE disagree with any of the recommendations? If yes, please list:			
6. Were there any specific problems or issues? If yes, please list:			

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CBA Item V.C.
March 20-21, 2014

Update on the CBA 2013-2015 Communications and Outreach Plan

Presented by: Lauren Hersh, Information & Planning Manager

Date: March 5, 2014

Purpose of the Item

The purpose of this agenda item is to keep the California Board of Accountancy (CBA) informed of communications and outreach efforts and activities.

Action(s) Needed

None.

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

Staff focused on CBA advisory committee recruitment in February, using Facebook, Twitter and LinkedIn as the platforms for recruitment messaging. The messaging also directed those interested to a new page on the CBA website dedicated to committee membership opportunities. At this writing, the CBA has 2,611 Facebook fans, 1,381 Twitter followers, and 175 direct LinkedIn connections.

Press Releases

As indicated by the following table, the number of press advisories and topical news releases thus far in 2014 are currently on track to be similar to those in 2013. Press releases and advisories are now being shared via social media as well as through traditional distribution methods. In addition to reaching reporters who follow us on Twitter, it provides the public with another opportunity to access information directly from the CBA.

Update on the CBA 2013-2015 Communications and Outreach Plan

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Press Releases	2012	2013	2014
Press advisories & topical news releases	19	19	5
Enforcement press releases	35	56	4
Total	54	75	9

E-News

E-News subscriptions have increased by 431 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 total subscribers. The largest increase is in those subscribing to the UPDATE publication, with 101 new subscriptions, followed by California Licensee with 82 new subscriptions, and Statutory/Regulatory with 75 new subscriptions.

List Name	External	Internal	Total
California Licensee	9,417	53	9,470
Consumer Interest	4,321	57	4,378
Examination Applicant	2,800	44	2,844
Licensing Applicant	3,427	48	3,475
Out-of-State Licensee	2,256	46	2,302
Statutory/Regulatory	7,561	61	7,622
CBA Meeting Info & Agenda Materials	3,496	39	3,535
UPDATE Publication	7,078	21	7,099
Total subscriptions	40,356	369	40,725

Outreach

Staff reached out to CalCPA and Going Concern for assistance in recruiting members for the Mobility Stakeholder Group (MSG) and other CBA advisory committees. As a result, CalCPA placed a recruitment article focusing on the Enforcement Advisory Committee and the Qualifications Committee provided by CBA staff in its CalCPA Buzz online magazine, and the blog Going Concern, ran a recruitment article for the MSG.

UPDATE

The Winter 2014 edition of UPDATE was posted on February 26, 2014 and staff anticipates it will be printed/mailed out the week of the March CBA meeting. Articles include:

- Meet Our New Members
- Something New in Your Renewal Packet
- New CPA License Requirements for 2014

Update on the CBA 2013-2015 Communications and Outreach Plan

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- Annual Report
- How CPAs Can Help Elder Clients
- Make a Difference -Committee Recruitment
- Interview with James Rider, CPA, Enforcement Advisory Committee
- At a Glance: Top 3 Causes of Discipline

Staff has been working to expedite the approval process and production of UPDATE where ever possible, still, there are processes at the Office of State Publishing that are not under the CBA's control.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

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MSG Item II.
March 20, 2014

CBA Item VI.A.1.
March 20-21, 2014

Overview of the Purpose and Role of the MSG

Presented by: Matthew Stanley, Legislation Analyst

Date: February 7, 2014

Purpose of the Item

The purpose of this agenda item is to provide information regarding the Mobility Stakeholder Group's (MSG) legislative purpose and role.

Action(s) Needed

None.

Background

In 2012, the Legislature created a new practice privilege program for the California Board of Accountancy (CBA) through Senate Bill (SB) 1405. The new practice privilege program, also referred to as mobility, began on July 1, 2013. One of the provisions of SB 1405 was a requirement that the MSG convene before July 1, 2014.

Business and Professions Code (BPC) section 5096.21(e) is the relevant portion of the law and reads as follows:

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

Comments

The MSG's purpose is stated in the law and is two-fold. First, the MSG is to consider whether the practice privilege provisions are consistent with the CBA's duty to protect the public in accordance with BPC section 5000.1. For reference, BPC section 5000.1 reads as follows:

Overview of the Purpose and Role of the MSG

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Protection of the public shall be the highest priority for 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.

During its considerations of consumer protection, the MSG will be provided with an overview of the new mobility law and how it compares with the previous practice privilege law. In addition, it is anticipated there will be an examination of the consumer protection components of the mobility law. It is also anticipated that the MSG may wish to review protections afforded to consumers via the CBA website and other state boards of accountancy.

The second part of the MSG's purpose is to consider whether the mobility law satisfies the objectives of stakeholders of the accounting profession, including consumers. The members of the MSG, as specified in the law, are a representative sample of the stakeholders. One of the anticipated duties of the MSG will be to define the stakeholders' objectives and to ascertain whether the mobility law is meeting those objectives. MSG **Agenda Item IV** will provide members with an opportunity to discuss which topics it wishes to discuss at the next meeting.

As the members of the MSG have been appointed to serve until the sunset date of the committee which is January 1, 2019, staff will maintain a decision matrix which will record all of the MSG's decisions and the date those decisions were made. This matrix will be provided, for informational purposes only, to each MSG member along with their meeting materials. The purpose for this is to assist members in recalling previous decisions during their deliberations.

This information will also prove useful for the MSG's periodic reports to the CBA. The information in these periodic reports may be used when the CBA prepares its two statutorily required reports to the Legislature regarding the mobility law.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

Attachment

None.



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MSG Item III.
March 20, 2014

CBA Item VI.A.2.
March 20-21, 2014

Adoption of Policies and Procedures for the MSG

Presented by: Matthew Stanley, Legislation Analyst

Date: February 10, 2014

Purpose of the Item

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with an opportunity to adopt policies and procedures to govern its meetings.

Action(s) Needed

The MSG will be asked to adopt policies and procedures.

Background

In 2012, the Legislature created a new practice privilege program for the California Board of Accountancy (CBA) through Senate Bill (SB) 1405. The new practice privilege program, also referred to as mobility, began on July 1, 2013. The portion of the law relevant to the MSG is Business and Professions Code (BPC) section 5096.21(e). This subsection reads, in part, that the MSG must, at its first meeting, "adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board."

Comments

As this is the MSG's first meeting, it must now fulfill its statutory obligation to adopt its policies and procedures. As there will be a series of decisions, MSG members may want to address them one at a time.

1. Meeting Calendar

The MSG will need to establish the frequency and timing of its meetings. This is important as staff will need to reserve space for meetings and prepare agenda materials in a timely fashion. In addition, it is important for MSG members to be able to make accommodations in their schedules.

For comparison, other statutorily created CBA committees (Qualifications, Peer Review Oversight, and Enforcement Advisory Committees) meet approximately four times per year. These meetings are typically held independent of the regularly scheduled CBA meetings, every three months.

If the MSG wishes to hold its meetings separate from the CBA meetings, it might also consider holding four meetings per year. If this option is chosen, staff will attempt to maintain a rotating schedule for northern and southern California meeting locations.

Adoption of Policies and Procedures for the MSG

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If the MSG wishes to meet in conjunction with the CBA meetings, it might consider meeting two, three or six times per year in order to provide a convenient and consistent fit with the CBA's meetings.

The table below shows which months the MSG would meet based on the provided options.

Number of Meetings	MONTHS (for the coming year)					
	2	March	September			
3	March	July	November			
4	March	June	September	December		
6	March	May	July	September	November	January

As the MSG decides whether to meet in conjunction with CBA meetings, it may wish to consider that it may be necessary to hold meetings on the Wednesday before the CBA meeting, depending on anticipated meeting lengths for the CBA, its committees and the MSG.

It has come to staff's attention that there are several conflicts with MSG member schedules for any potential May 2014 MSG meeting, and that it would not be able to meet in conjunction with the CBA's May 2014 meeting. If the MSG decides on a schedule that includes a May meeting, staff ask that the MSG choose from the following dates for a meeting that would be held in Sacramento: May 9 or May 27.

To assist the MSG in scheduling its future meetings, **attached** is the 2014 CBA Year-at-a-Glance Calendar. In addition, please bring your personal calendars to the meeting to help expedite the scheduling process.

2. Periodic Reporting to the CBA

The MSG is tasked, in statute, with specifying how and when it will provide periodic reports to the CBA. It is anticipated that the Chair will provide a verbal report to the CBA following each of the MSG meetings. While this verbal report may technically satisfy the law, the MSG may wish to consider providing periodic written reports as well.

Of the statutory committees, only the Peer Review Oversight Committee provides an annual written report to the CBA, and that is required by regulation. The advantage of providing written reports to the CBA would be that the CBA could choose to draw from them, or even include them or portions of them, in its two required reports to the Legislature regarding the practice privilege provisions.

As was stated in **MSG Agenda Item II**, staff will maintain a decision matrix that could become the basis of any written reports. If the MSG decides to issue written reports, it might consider an annual report due at an unspecified time, once per calendar year. This would allow the MSG reporting dates to be based on its calendar and workload.

Adoption of Policies and Procedures for the MSG

Page 3 of 3

3. Final Report

The MSG, along with the mobility law, sunsets on January 1, 2019, and the CBA's final report on mobility is due to the Legislature on January 1, 2018. Regardless of the MSG's decision on periodic written reports, it may wish to consider whether to issue a final report once it considers its work complete. If the MSG decides to issue a final report to be considered by the CBA during its preparation of the final mobility report to the Legislature, the MSG final report would need to be complete by late summer 2017.

Fiscal/Economic Impact Considerations

The fiscal impact of this item is workload related and will depend on the decisions made by the MSG, but it is anticipated that it will be absorbable.

Recommendation

None.

Attachment

2014 CBA Year-at-a-Glance Calendar

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
2014 MEETING DATES/LOCATIONS CALENDAR
(CBA MEMBER COPY)**

JANUARY 2014

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	SC	SC	SC	25
26	27	28		NC	NC	31

FEBRUARY 2014

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	26	27	28	

MARCH 2014

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	SC	SC	22
23	24	25	26			29
30	31					

APRIL 2014

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	24	25	26
27	28	29	30			

MAY 2014

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	SC	SC	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	SC	SC	31

JUNE 2014

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	26	27	28
29	30					

JULY 2014

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	NC	11	12
13	14	15	16	17	18	19
20	21	22	23	NC	25	26
27	28	29	SC	30	31	

AUGUST 2014

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	23
24	25	26	27	28	29	30
31						

SEPTEMBER 2014

S	M	T	W	Th	F	S
		1	2	3	4	5
7	8	9	10	11	12	13
14	15	16	17	SC	SC	20
21	22	23	24	25	26	27
28	29	30				

OCTOBER 2014

S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	19
19	20	21	NC	SC	24	25
26	27	28	29	30	31	

NOVEMBER 2014

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	SC	SC	22
23	24	25	26			29
30						

DECEMBER 2014

S	M	T	W	Th	F	S
		1	2	3	4	5
7	8	9	SC	NC	12	13
14	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

GENERAL LOCATION

NC-NORTHERN CALIFORNIA
 SC-SOUTHERN CALIFORNIA

	CBA OFFICE CLOSED
	CBA MEETING
	EAC MEETING
	PROC MEETING
	QC MEETING



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MSG Item IV.
March 20, 2014

CBA Item VI.A.3.
March 20-21, 2014

Discussion Regarding Proposed Agenda Items for the Next Meeting

Presented by: Matthew Stanley, Legislation Analyst

Date: February 10, 2014

Purpose of the Item

The purpose of this agenda item is to establish the topics that will be included on the next agenda for the MSG.

Action(s) Needed

The MSG will be asked to identify topics it wishes to discuss at its next meeting.

Background

As the MSG is intended to be representative of “stakeholders of the accounting profession in this state, including consumers,” it may wish to set its future agenda during its meetings in order that all public input may be considered when deciding how best to proceed.

Comments

The following agenda topics are being proposed for members’ consideration for the next MSG meeting:

- Overview of the new mobility law and how it compares with the previous practice privilege law
- A review of the consumer protection provisions in the mobility law
- Define the objectives of the stakeholders
- A review of Licensing and Enforcement Divisions’ statistics for mobility

The MSG may wish to accept, alter, or add to these suggestions based on the direction in which it wishes to proceed.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

Attachment

None.

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CPC Item II.
March 20, 2014

CBA Item VI.B.2.
March 20-21, 2014

**Discussion Regarding National Data Collection on Other State Boards of
Accountancy Attest Experience**

Presented by: Matthew Stanley, Legislation Analyst

Date: February 13, 2014

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with proposed questions and scope for gathering national data regarding attest experience.

Action(s) Needed

Staff are seeking the CBA's input and approval on data collection questions and scope.

Background

At its September 2013 meeting, the CBA received the final report of the Taskforce to Examine Experience for Licensure (TEEL). As a part of that report, the TEEL recommended eliminating the 500 hours of attest experience, thus creating a single experience requirement for California licensure.

While the TEEL recommendation was not adopted, and following a thorough discussion with testimony from interested parties, the CBA directed that research be performed to collect data regarding the attest requirement in order to assist the CBA in future deliberations regarding the elimination of the attest requirement. At its January 2014 meeting, President Savoy indicated that the CBA would be contracting with a consultant to survey California licensees, but that the CPC, working with staff, would perform research in regards to other state boards of accountancy.

Comments

Staff are recommending that the following questions be asked of all the state boards of accountancy through an online format, such as SurveyMonkey or through a National Association of State Boards of Accountancy (NASBA) Quick Poll. The ease of such surveys and the anticipated types of questions make it practical to survey all of the jurisdictions. While not all of them may respond, this scope of inquiry should produce a larger sample size than a survey of just the largest state boards of accountancy.

Staff are suggesting the following questions as a starting point, and would welcome any feedback the CBA may have including any changes, deletions or additions to this list. Many of the questions are predicated on answers to previous questions. When

Discussion Regarding National Data Collection on Other State Boards of Accountancy Attest Experience

Page 2 of 2

preparing the final survey, staff will ensure that it is made clear which questions a state needs to answer based on their previous answers.

1. Does your state require attest work as a part of the experience requirement for licensure to perform attest services?
2. Is the authority for your requirement in law, regulation or policy?
3. Does your state require a specific amount of time performing attest work for the experience requirement for licensure to perform attest services?
4. What is the required amount of time?
5. Is your state considering eliminating the attest experience requirement?
6. Has your state ever required attest work as a part of the experience requirement for licensure to perform attest services?
7. What was the amount of time performing attest services that was required for the experience requirement for licensure?
8. When was the attest experience requirement eliminated?
9. Has your state ever considered reinstating the attest experience requirement?
10. Why did your state decide to not reinstate the attest experience requirement?

The questions listed above are objective questions that can be easily answered by other states providing the CBA with objective data. The CBA may want to explore other objective questions or even subjective questions if it believes they may provide valuable information. During the discussions at the CBA's September 2013 meeting, different versions of the following question were discussed, "Did your state experience an increase in enforcement actions related to attest services following the elimination of the attest experience requirement?" The CBA may wish to use this question as a starting point for discussing adding subjective questions to the survey.

Fiscal/Economic Impact Considerations

If the survey is performed through an online provider such as SurveyMonkey or a NASBA Quick Poll, the cost would be minimal.

Recommendation

Staff recommend surveying all state boards of accountancy using SurveyMonkey or a NASBA Quick Poll. Staff also recommend that the questions above be included in the survey along with any further recommendations the CBA may provide.

Attachment

None.



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CPC Item III.
March 20, 2014

CBA Item VI.B.3.
March 20-21, 2014

**Discussion Regarding Business and Professions Code Section 5087 –
Reciprocity of License from Another State; Waiver of Examination Requirements**

Presented by: Dominic Franzella, Chief, Licensing Division

Date: February 13, 2014

Purpose of the Item

The purpose of this agenda item is to afford the California Board of Accountancy (CBA) the opportunity to reconsider whether it wishes to continue to seek an amendment to Business and Professions Code (BPC) section 5087 related to reciprocity.

Action(s) Needed

The CBA is being asked whether it wishes to reconsider its proposed amendment to BPC section 5087.

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.

Presently, BPC section 5087 provides the CBA with the authority to issue a CPA license to applicants who hold 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. As a result, this created a necessary look-back approach to determine an applicant's qualifications.

At its May 2013 meeting, the CBA adopted a staff recommendation to amend BPC section 5087 to more closely mirror the language found in the practice privilege provisions, whereby the new law would necessitate that the CBA establish a list of substantially equivalent states that it has determined to have licensing requirements substantially equivalent to existing law. Staff attempted to have this amended language (**attached**) included in one of last year's omnibus bills; however, as a result of the bills location at that time, the amendments could not be made.

Discussion Regarding Business and Professions Code Section 5087 – Reciprocity of License from Another State; Waiver of Examination Requirements

Page 2 of 3

Comments

Late last year a matter came to staff's attention that caused it to revisit the proposed amendments to BPC section 5087. Specifically, while evaluating two individuals' applications for initial CPA licensure, staff identified that the individuals obtained a license, certificate, or permit to practice public accountancy without having passed the Uniform CPA Examination (CPA Exam).¹ In both instances, the individuals were foreign accountants originally licensed under requirements established by a foreign jurisdiction and subsequently obtained practice rights in the United States.

Under the proposed modification staff brought forth in May 2013, whereby staff would simply look to see if individuals obtained licensure from a state established by the CBA as substantially equivalent, these individuals would have obtained licensure in California having never met one of the core elements of minimum entry into the profession – the CPA Exam. As the CPA Exam is a crucial element in determining minimum competency prior to practicing in California, staff believes it is important to ensure that applicants issued a California CPA license meet all the core licensing elements (the three Es – examination, education, experience), of which the CPA Exam is one.

This resulted in reevaluating the staff-proposed model brought before the CBA in May 2013 to determine if a better option was available. Staff reviewed the practice it was using at that time and took steps to revise the process and modify one of the verification forms it uses to collect information from other states regarding applicants' licensure history and status. The form now requests that the state where the license was originally issued to certify to the qualifications in place when the license was issued.

When evaluating the verification form, staff looks to ensure that as part of the requirements to obtain CPA licensure, the applicant passed the CPA Exam, had a bachelor's degree or higher, and met a general experience requirement (thus meeting the three Es). This process has substantially altered the affect of the look-back period, and with this modification, the initial concerns identified by staff no longer remain relevant. Additionally, this allows for the present language in BPC 5087 to remain unchanged and safeguards the CBA from licensing individuals that maintain a license in another state but who have not passed the CPA Exam.

Staff would like to note that while this process works fairly seamlessly for several states, there are some states that fail to share the requested information. In those instances, staff works closely with the applicants and states to obtain the requested information so that the licensure process under BPC section 5087 can continue.

Although staff has only identified two instances of individuals obtaining a license, certificate, or permit to practice public accountancy without passage of the CPA Exam, it

¹ Staff did inquire if either of these individuals had passed the International Uniform Certified Public Accountant Qualification Examination (or IQEX). Neither applicant had taken or successfully passed the IQEX.

**Discussion Regarding Business and Professions Code Section 5087 –
Reciprocity of License from Another State; Waiver of Examination Requirements**

Page 3 of 3

will continue to monitor this issue and report back to the CBA should further action be needed.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff recommends the CBA adopt a motion to no longer seek amending BPC section 5087.

Attachment

Proposed Amended Language – Business and Professions Code Section 5087



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Attachment

Proposed Amended Language – 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 current, valid active and unrevoked unrestricted certified public accountant license issued under the laws of any state, if the board determines that the license was issued by a state that 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 qualifications substantially equivalent to those 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) An applicant possessing a license from another state not deemed substantially equivalent by the board as provided in subdivision (a) may qualify for issuance of a certified public accountant license if the applicant can obtain an individual qualification evaluation of substantial equivalency as prescribed by the board showing that he or she possesses education, examination, and experience qualifications substantially equivalent to the requirements established under this chapter, and meets any other requirements established by the board.

(c) 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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EPOC Item II.
March 20, 2014

CBA Item VI.C.2
March 20-21, 2014

Discussion Regarding Probation Monitoring of Out-of-State Certified Public Accountants

Presented by: Vincent Johnston, Analyst, Enforcement Division

Date: February 3, 2014

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information regarding how Certified Public Accountants (CPA) are monitored after they have been placed on probation.

Action(s) Needed

No specific action is required on this agenda item.

Background

At the January 23, 2014 Enforcement Program Oversight Committee (EPOC) meeting, members requested staff present an overview of the probation process for out-of-state licensees.

Comments

Purpose

When a licensee is disciplined and their CPA license is placed on probation for a designated period of time, staff monitors the licensee to ensure they adhere to all conditions or probation contained in their disciplinary order. Should the licensee deviate from the probationary terms in the disciplinary order, staff refers the matter to the Attorney General's Office for preparation of a petition to revoke probation. If the licensee complies with all terms of probation, their license is fully restored at the end of the probationary period. There are currently 62 California licensees on probation, and of those, three live outside of the state of California. Currently, there are no practice privilege holders on probation.

Probation monitoring is vital to a robust enforcement program. It allows the CBA to discipline a licensee without full revocation or suspension of a license. While the licensee is on probation, staff has the ability to monitor their compliance with all probationary terms, and rehabilitation. Probation monitoring is essential to assist the CBA in achieving the mission of protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

Discussion Regarding Probation Monitoring of Out-of-State Certified Public Accountants

Page 2 of 4

Disciplinary Order

California Business and Professions Code (BPC) section 5100 allows the CBA to revoke or suspend a CPA license for a myriad of reasons ranging from a criminal conviction to a willful violation of the Accountancy Act to gross negligence or departures from established professional standards. Because the range of violations is broad, the CBA has adopted the *Manual of Disciplinary Guidelines and Model Disciplinary Orders 8th Edition* (Guidelines) (**Attachment**) to guide an Administrative Law Judge and CBA Executive Officer in the level of discipline appropriate for violating the Accountancy Act. Although probation is not specific in BPC section 5100, the Model Disciplinary Orders included in the Guidelines (**Attachment, page 57**) does allow a revocation and suspension to be stayed to place a licensee on probation with both standard and optional probationary terms. Without probation, the primary option for discipline by the CBA would be suspension or revocation. The Guidelines include a list of Standard and Optional terms of probation (**Attachment, pages 58-64**). The Standard terms should be included in all disciplinary orders, and the optional terms are included based upon the nature of the violation.

Standard Terms of Probation

Staff has the capability to monitor a probationer's compliance with the majority of standard terms irrespective of where they reside. For instance, all probationers are required to submit written quarterly reports, which details whether they are practicing public accountancy, if they have taken any continuing education, and if they have resided outside the state of California. Further, the requirements to obey all laws; submit cost reimbursement; comply with citations; and the ability of the CBA to terminate probation are not dependent on physical location.

There are a few areas of probation monitoring that can be challenging given that the licensee resides out-of-state, however, they are manageable given that these terms were imposed to the licensee as part of a stipulated settlement or a CBA decision. Staff brings these items to the attention of EPOC members to aid in their deliberation of this issue.

a) Personal Appearances

Personal appearances are a vital facet of the probation monitoring process. They provide an open forum for discussion between the licensee and the probation monitor, and they allow the monitor to see and read the body language of the licensee. They also convey the seriousness of the probationary process to the licensee. The first personal appearance occurs shortly after the disciplinary order is effective, and a final appearance is scheduled for the last year of probation. The initial personal appearance generally occurs in a hotel meeting room, although staff always has the option to travel to the licensee's place of business, or compel them to appear at the CBA office.

Because it is best practices to hold the personal appearances in person, staff requires all out-of-state licensees attend meetings in person with a probation monitor.

Discussion Regarding Probation Monitoring of Out-of-State Certified Public Accountants

Page 3 of 4

b) Practice Investigation

Staff has the authority to visit any probationer engaged in the practice of public accountancy at their office, and review their work product. With a three year probationary term, staff schedules a practice investigation in the second year of probation. This allows the monitor to discuss any probation deficiencies with the licensee, and still allows time to take enforcement action if the licensee is not practicing in accordance with probationary terms.

In the case of a licensee that resides out-of-state, and is practicing public accounting, staff has identified at least four options for conducting a practice investigation. First, staff can request a list of all billings for the licensee and then select a sampling of work for review. Second, staff could require the licensee to travel to the CBA office with a sampling of work product for review. Staff can also require a licensee to include a list of all engagements performed each quarter, and submit a copy of the list to the CBA along with the quarterly reports. Finally, staff has the option of contacting the board of accountancy in the licensee's home state and requesting assistance. Currently, two of the licensees that live outside the state of California that are on probation are not engaged in the practice of public accountancy. However, the CBA recently adopted a disciplinary order for a licensee that lives in Oklahoma, and staff will request a list of all billings and select a sample of engagements for review.

c) Tolling

The tolling clause states that time spent working or living outside of the state of California does not apply to the reduction of the probationary period. The purpose of the clause is to ensure that a licensee isn't disciplined by the CBA, and then flees to another state where monitoring is perceived to be difficult. The problem with the tolling clause for licensees that reside out-of-state, or practice privilege holders, is that they are essentially on probation permanently. Since they may not have a desire to return to California to work or reside, their probation never advances, they are permanently tolled.

Of the three California licensees currently on probation, two have a tolling clause in their disciplinary order. In order to address their enduring probationary period, staff has two options. First, the tolling condition states that the requirement to submit quarterly reports, cost recovery, and restitution may be suspended at the written discretion of the CBA. Essentially, staff could toll the requirement to submit quarterly reports until such time as the licensee returns to California. The licensee would remain on probation, but would not be required to actively participate in the monitoring process. The licensee also has the ability to petition the CBA for a reduction in penalty any time after one year from the effective date of the decision. In the past, licensees living in another state have successfully petitioned to end probation after the probationary term would have elapsed.

Staff has recommended omitting the tolling clause for practice privilege holders, as they have likely never lived in California, and including the clause essentially leaves them on probation indefinitely.

Discussion Regarding Probation Monitoring of Out-of-State Certified Public Accountants

Page 4 of 4

Optional Terms of Probation

In addition to the standard terms of probation, there are 24 optional terms of probation that are included in disciplinary orders as appropriate. A complete list of Optional Terms of Probation is located in **Attachment, pages 60-64**. The majority of optional terms can be monitored remotely for a licensee that lives out of state, via email, mail, or telephone correspondence. In the case of biological fluid testing, the CBA testing vendor has indicated that there are sites throughout the country for a licensee to give a blood sample, and that the testing is the same regardless of venue. The only optional term that may be challenging to monitor if a licensee resides out of state is Supervised Practice. Staff has the authority to require a licensee to hire a California CPA to serve as the supervisor, however that may be difficult for the licensee should a California CPA not be available. In the event a non-California licensed CPA is used, the CBA has no recourse should they be derelict in their duties. In the event that the supervising CPA is not a California CPA, staff would have the option of requiring the probationer to utilize the services of another CPA, and referring the deficient supervising CPA to their state board of accountancy.

Probation Monitoring for Out-of-State Licensees

Although discipline is ordered by the CBA, it is the responsibility of staff to ensure the licensee conforms to all aspects of the disciplinary order. Probation allows a licensee to prove that they rehabilitated, and gives staff the opportunity to monitor the probationer to ensure they are no longer a threat to California consumers. Licensees that live out of state are required to complete all terms of probation, as if they lived or worked in California. They are required to submit quarterly reports, reimburse the CBA costs, make personal appearances to meet with a probation monitor, and complete any standard or optional terms of probation as ordered.

Staff will be available at the meeting to answer questions.

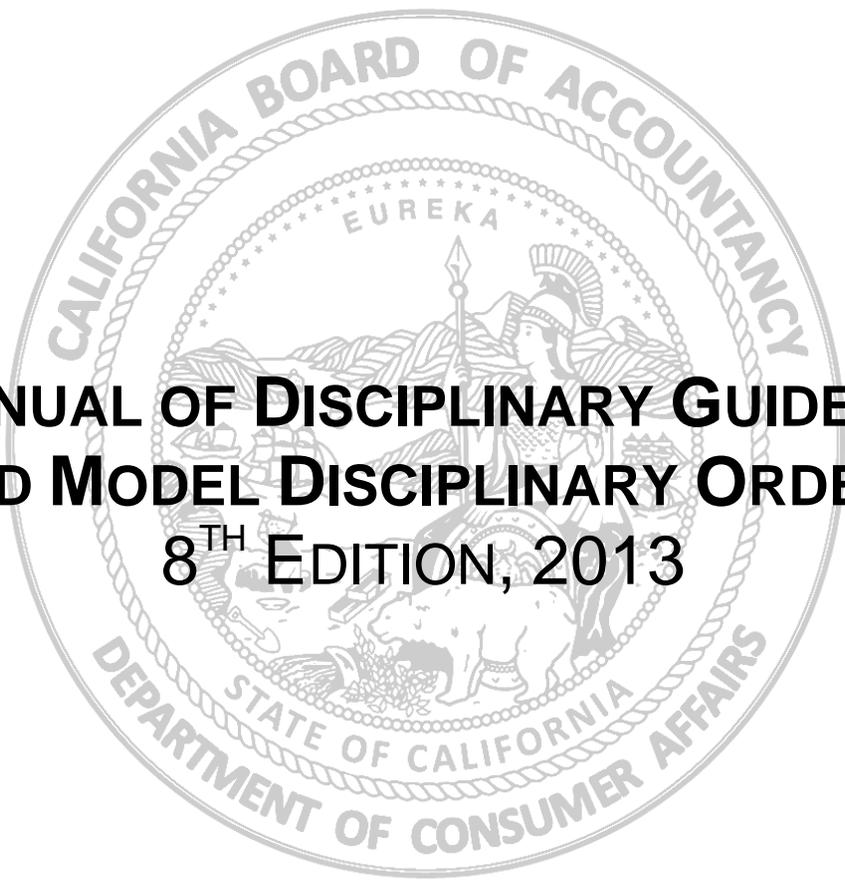
Recommendation

Staff recommends continuation of the current probation monitoring process for all California licensees and practice privilege holders irrespective of location.

Attachment

Manual of Disciplinary Guidelines and Model Disciplinary Orders 8th Edition

CALIFORNIA BOARD OF ACCOUNTANCY

The seal of the California Board of Accountancy is a circular emblem. It features a central figure of Minerva, the Roman goddess of wisdom, wearing a helmet and holding a spear. The word "EUREKA" is inscribed above her. The seal is surrounded by a rope-like border. The outer ring contains the text "CALIFORNIA BOARD OF ACCOUNTANCY" at the top and "DEPARTMENT OF CONSUMER AFFAIRS" at the bottom. The inner ring contains "STATE OF CALIFORNIA".

A MANUAL OF DISCIPLINARY GUIDELINES AND MODEL DISCIPLINARY ORDERS 8TH EDITION, 2013

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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 as well as any alleged violation of the California Accountancy Act. The California Accountancy Act and the regulations of the California Board of Accountancy provide the basis for CBA disciplinary action. (See California Business and Professions 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, 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.

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.

- f. **Reimbursement to the CBA for costs of investigation and prosecution as warranted by Business and Professions Code Section 5107.**

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.

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.

VII. DISCIPLINARY GUIDELINES

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 [25]

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

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

If warranted:

1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics Continuing Education [20]
5. Regulatory Review Course [21]
6. Continuing Education Courses [25]
7. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 54.1)

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

Minimum Penalty - Continuing Education Courses [25]

Maximum Penalty - Revocation [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. Supervised Practice [15]

3. Restitution [16]
4. Restricted Practice [17]
5. Engagement Letters [18]
6. Ethics Continuing Education [20]
7. Regulatory Review Course [21]
8. Continuing Education Courses [25]
9. Community Service – Free Services [29]
10. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
11. Conditions as appropriate relating to physical or mental disability or condition [31-36]

(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, applies to 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 [25]

Maximum Penalty - Revocation [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. Restricted Practice [17]
 3. Ethics Continuing Education [20]
 4. Regulatory Review Course [21]
 5. Continuing Education Courses [25]
 6. Active License Status [26]
 7. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

**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 - Correction of Violation
Maximum Penalty - Revoke authorization to practice

**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 [25]
Maximum Penalty - Revocation [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. Restricted Practice [17]
 3. Ethics Continuing Education [20]
 4. Regulatory Review Course [21]
 5. Continuing Education Courses [25]
 6. Active License Status [26]
 7. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

Section 5058 USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED

Minimum Penalty - Continuing Education Courses [25]
Maximum Penalty - Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

If warranted: 1. Suspension [3] with/without stay [4]
 2. Restricted Practice [17]
 3. Ethics Continuing Education [20]
 4. Regulatory Review Course [21]
 5. Continuing Education Courses [25]

6. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 2)

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

Minimum Penalty - Continuing Education Courses [25]

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

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Restricted Practice [17]
 3. Ethics Continuing Education [20]
 4. Regulatory Review Course [21]
 5. Continuing Education Courses [25]
 6. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

Section 5058.2 INACTIVE DESIGNATION

Minimum Penalty - Correction of Violation

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

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

- If warranted:
1. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

ARTICLE 3.5

Section 5060 NAME OF FIRM

Minimum Penalty - Continuing Education Courses [25]

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

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

If warranted: 1. Suspension [3] with/without stay [4]
 2. Restricted Practice [17]
 3. Ethics Continuing Education [20]
 4. Regulatory Review Course [21]
 5. Continuing Education Courses [25]
 6. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

(Reference Section 5072)

Section 5061 COMMISSIONS

Minimum Penalty - Continuing Education [25]

Maximum Penalty - Revocation [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. Supervised Practice [15]
 3. Restitution [16]
 4. Restricted Practice [17]
 5. Engagement Letters [18]
 6. Ethics Continuing Education [20]
 7. Regulatory Review Course [21]
 8. Continuing Education Courses [25]
 9. Community Service – Free Services [29]
 10. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

Section 5062 REPORT CONFORMING TO PROFESSIONAL STANDARDS

Minimum Penalty - Continuing Education Courses [25]

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [5-14]
 3. Continuing Education Courses [25]
- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]
 3. Restitution [16]
 4. Restricted Practice [17]
 5. Engagement Letters [18]
 6. Ethics Continuing Education [20]
 7. Regulatory Review Course [21]
 8. Peer Review [22]
 9. CPA Exam [23]
 10. Samples - Audits, Review or Compilation [27]
 11. Community Service – Free Services [29]
 12. Notice to Clients [31]
 13. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(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 [1-2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation of 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. Community Service – Free Services [29]
 4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

Section 5063 REPORTABLE EVENTS

Minimum Penalty - Correction of Violation and/or Continuing Education Courses [25]
 Maximum Penalty - Revocation [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. Supervised Practice [15]
3. Restricted Practice [17]
4. Ethics Continuing Education [20]
5. Regulatory Review Course [21]
6. Continuing Education Courses [25]
7. Samples – Audit, Review or Compilation [27]
8. Prohibition from Handling Funds [28]
9. Community Service – Free Services [29]
10. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
11. Conditions as appropriate relating to physical or mental disability or condition [31-36]

(Reference Sections 59, 60, 61)

Section 5063.3 CONFIDENTIAL INFORMATION DISCLOSURE

Minimum Penalty - Continuing Education Courses [25]

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

CONDITIONS OF PROBATION:

- Required:
1. 3 years probation
 2. Standard Conditions of Probation [5-14]

- If warranted:
1. Suspension [3]
 2. Supervised Practice [15]
 3. Ethics Continuing Education [20]
 4. Regulatory Review Course [21]
 5. Continuing Education Courses [25]
 6. Notice to Clients [31]
 7. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

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 [25]

Maximum Penalty - Revocation of partnership/individual licenses [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. Restricted Practice [17]
 3. Ethics Continuing Education [20]
 4. Regulatory Review Course [21]
 5. Continuing Education Courses [25]
 6. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

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

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

Minimum Penalty - Continuing Education Course [25]

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. 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 5076(a) PEER REVIEW

Minimum Penalty - Correction of Violation

Maximum Penalty - Revocation [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. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. Continuing Education Courses [25]
 7. Sample – Audit, Review or Compilation [27]
 8. Notification to Clients/Cessation of Practice [31]
 9. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Sections 40, 41, 43)

Section 5076(f) PEER REVIEW – DOCUMENT SUBMISSION REQUIREMENT

Minimum Penalty - Correction of Violation

Maximum Penalty - Revocation [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. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. Peer Review [22]
 7. Continuing Education Courses [25]
 8. Sample – Audit, Review or Compilation [27]
 9. Notification to Clients/Cessation of Practice [31]
 10. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 46)

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

Minimum Penalty - Continuing education [25] 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 [10]

Maximum Penalty - Revocation [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. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. Continuing Education Courses [25]
 7. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

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

Minimum Penalty - Continuing Education [25] 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, 3 years probation
 2. Standard Conditions of Probation [5-14]

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

(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

(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.

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**.

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

Minimum Penalty - Correction of Violation

Maximum Penalty - Revocation [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. Restricted Practice [17]
 3. Ethics Continuing Education [20]
 4. Regulatory Review Course [21]
 5. CPA Exam [23]
 6. Continuing Education Courses [25]
 7. Active License Status [26]
 8. Notification to Clients/Cessation of Practice [31]
 9. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

ARTICLE 5.1: Practice Privilege

Section 5096(d) PRACTICING THROUGH AN UNREGISTERED FIRM

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

CONDITIONS OF PROBATION:

- Required: If revocation stayed [4], probation 3 to 5 years
 Standard Conditions of Probation [5-11,13,14]

- If warranted: 1. Suspension [3]
 2. Ethics Continuing Education [20]
 3. Regulatory Review Course [21]
 4. Administrative Penalty [32]

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

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

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 [5-11,13,14]

- If warranted: 1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Administrative Penalty [32]

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]

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 [5-11,13,14]

If warranted: 1. Ethics Continuing Education [20]
2. Regulatory Review Course [21]
3. Administrative Penalty [32]

Section 5096(e)(5) COOPERATE WITH BOARD

Minimum Penalty: One year suspension [3]
Maximum Penalty: Revoke Practice Privilege [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 [5-11,13,14]

If warranted: 1. Ethics Continuing Education [20]
2. Regulatory Review Course [21]
3. Administrative Penalty [32]

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 [1-2]

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 [5-11,13,14]

If warranted: 1. Ethics Continuing Education [20]
2. Regulatory Review Course [21]
3. Administrative Penalty [32]

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 Revoke Practice Privilege [1-2]
Penalty:

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 [5-11,13,14]

If warranted: 1. Ethics Continuing Education [20]
2. Regulatory Review Course [21]
3. Administrative Penalty [32]

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 Revoke Practice Privilege [1-2]
Penalty:

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3] (Section 5096(i)(2))
3. Standard Conditions of Probation [5-11,13,14]

If warranted: 1. Ethics Continuing Education [20]
2. Regulatory Review Course [21]
3. Administrative Penalty [32]

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] 3 years probation

Maximum Penalty: Revoke Practice Privilege [1-2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years
2. Standard Conditions of Probation [5-11,13,14]

If warranted: 1. Suspension [3]
2. Ethics Continuing Education [20]
3. Regulatory Review Course [21]
4. Administrative Penalty [32]

Section 5096.12 FIRM PRACTICING WITHOUT A PRACTICE PRIVILEGE HOLDER

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], probation 3 to 5 years
2. Standard Conditions of Probation [5-11,13,14]

If warranted: 1. Suspension [3]
2. Ethics Continuing Education [20]
3. Regulatory Review Course [21]
4. Administrative Penalty [32]

ARTICLE 5.5

Section 5097 AUDIT DOCUMENTATION

Minimum Penalty - Continuing Education Courses [25]

Maximum Penalty - Revocation [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. Supervised Practice [15]
3. Restricted Practice [17]
4. Library Reference Material [19]
5. Ethics Continuing Education [20]
6. Regulatory Review Course [21]
7. Peer Review [22]
8. CPA Exam [23]
9. Continuing Education Courses [25]
10. Samples - Audits, Review or Compilation [27]

11. Community Service – Free Services [29]
12. Notice to Clients [31]
13. Administrative Penalty not to exceed maximum set forth in Section 5116 [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 [25]

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Optional conditions which relate to underlying facts and circumstances; reference conditions listed in 5100 (a)-(j)
 3. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

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

FOR FELONY CONVICTIONS OR SEVERAL MISDEMEANOR CONVICTIONS:

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

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Supervised Practice [15]
 2. Restitution [16]
 3. Restricted Practice [17]
 4. Engagement Letters [18]
 5. Ethics Continuing Education [20]
 6. Regulatory Review Course [21]
 7. CPA Exam [23] or Enrolled Agents Exam [24]
 8. Continuing Education Courses [25]
 9. Samples - Audit, Compilation or Review [27]

10. Prohibition from Handling Funds [28]
11. Community Service – Free Services [29]
12. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
13. Conditions as appropriate relating to physical or mental disability or condition [31-36]

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. [1-2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation of 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. Continuing Education Courses [25]
 4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

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 [1-2, 4], 3 years probation

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Supervised Practice [15]
 2. Restitution [16]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]

6. Peer Review [22]
7. CPA Exam [23]
8. Continuing Education Courses [25]
9. Samples - Audit, Review or Compilation [27]
10. Prohibition from Handling Funds [28]
11. Community Service – Free Services [29]
12. Notification to Clients [31]
13. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
14. Conditions as appropriate relating to physical or mental disability or condition [31-36]

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 [1-2]

CONDITIONS OF PROBATION:

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

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

1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Ethics Continuing Education [20]
6. Regulatory Review Course [21]
7. CPA Exam [23] or Enrolled Agents Exam [24]
8. Continuing Education Courses [25]
9. Samples - Audit, Review or Compilation [27]
10. Prohibition from Handling Funds [28]
11. Community Service – Free Services [29]
12. Notice to Clients [31]
13. Conditions as appropriate relating to physical or mental disability or condition [31-36]

Section 5100(e) VIOLATION OF PROVISIONS OF SECTION 5097

Minimum Penalty - Continuing Education Courses [25]
 Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [5-14]
 3. Continuing Education Courses [25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]
- Restricted Practice [17]
4. Library Reference Material [19]
 5. Ethics Continuing Education [20]
 6. Regulatory Review Course [21]
 7. Peer Review [22]
 8. CPA Exam [23]
 9. Samples - Audits, Review or Compilation [27]
 10. Community Service – Free Services [29]
 11. Notice to Clients [31]
 12. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

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
5060	NAME OF FIRM
5061	COMMISSIONS
5062	REPORT CONFORMING TO PROFESSIONAL STANDARDS

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, 4], 3 years probation

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

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

1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Ethics Continuing Education [20]
6. Regulatory Review Course [21]
7. CPA Exam [23] or Enrolled Agents Exam [24]
8. Continuing Education Courses [25]
9. Samples - Audit, Review or Compilation [27]
10. Prohibition from Handling Funds [28]
11. Community Service – Free Services [29]
12. Notice to Clients [31]
13. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
14. Conditions as appropriate relating to physical or mental disability or condition [31-36]

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 [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Supervised Practice [15]
 2. Restitution [16]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. CPA Exam [23] or Enrolled Agents Exam [24]
 7. Continuing Education Courses [25]
 8. Prohibition from Handling Funds [28]
 9. Community Service – Free Services [29]
 10. Notice to Clients [31]

11. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
12. Conditions as appropriate relating to physical or mental disability or condition [31-36]

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 [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Supervised Practice [15]
 2. Restitution [16]
 3. Restricted Practice [17]
 4. Engagement Letters [18]
 5. Ethics Continuing Education [20]
 6. Regulatory Review Course [21]
 7. CPA Exam [23] or Enrolled Agents Exam [24]
 8. Continuing Education Courses [25]
 9. Samples - Audit, Review or Compilation [27]
 10. Community Service – Free Services [29]
 11. Notice to Clients [31]
 12. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
 13. Conditions as appropriate relating to physical or mental disability or condition [31-36]

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 [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Supervised Practice [15]

2. Restitution [16]
3. Restricted Practice [17]
4. Ethics Continuing Education [20]
5. Regulatory Review Course [21]
6. CPA Exam [23] or Enrolled Agents Exam [24]
7. Continuing Education Courses [25]
8. Prohibition from Handling Funds [28]
9. Notice to Clients [31]
10. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
11. Conditions as appropriate relating to physical or mental disability or condition [31-36]

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

CONDITIONS OF PROBATION:

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

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

1. Suspension [3] with/without stay [4]
2. Supervised Practice [15]
3. Restitution [16]
4. Restricted Practice [17]
5. Ethics Continuing Education [20]
6. Regulatory Review Course [21]
7. CPA Exam [23] or Enrolled Agents Exam [24]
8. Continuing Education Courses [25]
9. Samples - Audit, Review or Compilation [27]
10. Prohibition from Handling Funds [28]
11. Community Service – Free Services [29]
12. Notice to Clients [31]
13. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
14. Conditions as appropriate relating to physical or mental disability or condition [31-36]

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

Minimum Penalty - Continuing Education Courses [25]

Maximum Penalty - Revocation [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. Restricted Practice [17]
 3. Ethics Continuing Education [20]
 4. Regulatory Review Course [21]
 5. Continuing Education Courses [25]
 6. Active License Status [26]
 7. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

Section 5101 DISCIPLINE OF PARTNERSHIP

Minimum Penalty - 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 [1-2]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

If warranted: 1. Supervised Practice [15]
 2. Restitution [16]
 3. Restricted Practice [17]
 4. Engagement Letters [18]
 5. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

Section 5104 RELINQUISHMENT OF CERTIFICATE OR PERMIT

Minimum/Maximum Penalty - Revocation [1-2]

Section 5105 DELINQUENCY IN PAYMENT OF RENEWAL FEE

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, or revocation of license if issued.

If warranted: 1. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

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 for officers of corporation [25]

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 for officers of corporation [25]

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

Section 5154 DIRECTORS, SHAREHOLDERS, AND OFFICERS MUST BE LICENSED

Minimum Penalty - Continuing Education Courses [25]

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

CONDITIONS OF PROBATION:

Required: 1. 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]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

If warranted:

1. Supervised Practice [15]
2. Restitution [16]
3. Restricted Practice [17]
4. Engagement Letters [18]
5. Ethics Continuing Education [20]
6. Regulatory Review Course [21]
7. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
8. Conditions as appropriate relating to physical or mental disability or condition [31-36]

**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 [25]
Maximum Penalty - 90 day Suspension [3]

SECTION 5 OBSERVANCE OF RULES

Minimum Penalty - Continuing Education Courses [25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

If warranted: 1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Continuing Education Courses [25]
 4. Samples - Audit, Review or Compilation [27]
 5. Community Service – Free Services [29]
 6. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

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
[32]

ARTICLE 3: PRACTICE PRIVILEGES

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

Minimum Penalty: Correction of Violation

Maximum 90 day Suspension [3]

Penalty:

CONDITIONS OF PROBATION:

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

If warranted: 1. Administrative Penalty [32]

ARTICLE 6: PEER REVIEW

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

Minimum Penalty - Correction of Violation

Maximum Penalty - Revocation [1-2]

- 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. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. Peer Review [22]
 7. Continuing Education Courses [25]
 8. Sample – Audit, Review or Compilation [27]
 9. Notification to Clients/Cessation of Practice [31]
 10. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5076(a))

SECTION 41 FIRM RESPONSIBILITIES

Minimum Penalty - Continuing Education Courses [25]

Maximum Penalty - Revocation [1-2]

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

- If warranted:
1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Continuing Education Courses [25]
 4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5076(a))

SECTION 43 EXTENSIONS

Minimum Penalty - Continuing Education Courses [25]

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

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

- If warranted:
1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Continuing Education Courses [25]
 4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 44 NOTIFICATION OF EXPULSION

Minimum Penalty - Correction of Violation

Maximum Penalty - Revocation [1-2]

- 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. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. Continuing Education Courses [25]
 7. Sample – Audit, Review or Compilation [27]
 8. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
 9. Conditions as appropriate relating to physical or mental disability or condition [31-36]

SECTION 45 REPORTING TO BOARD

Minimum Penalty - Correction of Violation

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Continuing Education Courses [25]
 4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5076(a))

SECTION 46(a) DOCUMENT SUBMISSION REQUIREMENTS

Applies to firms that receive a substandard peer review rating.

Minimum Penalty - Correction of Violation

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Continuing Education Courses [25]
 4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(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 - Correction of Violation

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [1-2,4], 3 years probation
 2. 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]

ARTICLE 9: RULES OF PROFESSIONAL CONDUCT

SECTION 50 CLIENT NOTIFICATION

Minimum Penalty – Correction of Violation

Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION

Required: 1. 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 51 FIRMS WITH NONLICENSEE OWNERS

Minimum Penalty – Correction of Violation

Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION

Required: 1. Standard Conditions of Probation [5-14]

If warranted:

1. Suspension [3] with/without stay [4]
2. Restricted Practice [17]
3. Ethics Continuing Education [20]
4. Regulatory Review Course [21]
5. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 51.1 NOTIFICATION OF NON-LICENSEE OWNERSHIP

Minimum Penalty - Continuing Education [25] 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, 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 maximum set forth in Section 5116 [32]

(Reference Section 5079)

SECTION 52 RESPONSE TO BOARD INQUIRY

Minimum Penalty - Continuing Education Courses [25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

If warranted: 1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Continuing Education Courses [25]
 4. Community Service – Free Services [29]
 5. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

SECTION 53 DISCRIMINATION PROHIBITED

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

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

If warranted: 1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Continuing Education Courses [25]
 4. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

SECTION 54.1 DISCLOSURE OF CONFIDENTIAL INFORMATION PROHIBITED

Minimum Penalty - Continuing Education Courses [25]
Maximum Penalty - Revocation stayed; 90 day suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:

Required: 1. 3 years probation
 2. Standard Conditions of Probation [5-14]

If warranted: 1. Suspension [3]
 2. Supervised Practice [15]
 3. Ethics Continuing Education [20]
 4. Regulatory Review Course [21]
 5. Continuing Education Courses [25]

6. Notice to Clients [31]
7. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5037)

SECTION 54.2 RECIPIENTS OF CONFIDENTIAL INFORMATION

Minimum Penalty - Continuing Education Courses [25]

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Supervised Practice [15]
 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]

SECTION 56 COMMISSIONS – BASIC DISCLOSURE REQUIREMENT

Minimum Penalty – Correction of Violation and/or Continuing Education Courses [25]

Maximum Penalty – Revocation [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. Supervised Practice [15]
 3. Restitution [16]
 4. Restricted Practice [17]
 5. Ethics Continuing Education [20]
 6. Regulatory Review Course [21]
 7. Continuing Education Courses [25]
 8. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 56.1 COMMISSIONS – PROFESSIONAL SERVICES PROVIDED TO CLIENT

Minimum Penalty – Correction of Violation and/or Continuing Education Courses [25]

Maximum Penalty – Revocation [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. Supervised Practice [15]
 3. Restitution [16]
 4. Restricted Practice [17]
 5. Ethics Continuing Education [20]
 6. Regulatory Review Course [21]
 7. Continuing Education Courses [25]
 8. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 57 INCOMPATIBLE OCCUPATIONS AND CONFLICT OF INTEREST

- Minimum Penalty - Continuing Education Courses [25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Engagement Letters [18]
 5. Ethics Continuing Education [20]
 6. Regulatory Review Course [21]
 7. Continuing Education Courses [25]
 8. Prohibition from Handling Funds [28]
 9. Community Service – Free Services [29]
 10. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 58 COMPLIANCE WITH STANDARDS

- Minimum Penalty - Continuing Education Courses [25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]

3. Restricted Practice [17]
4. Engagement Letters [18]
5. Ethics Continuing Education [20]
6. Regulatory Review Course [21]
7. Peer Review [22]
8. CPA Exam [23]
9. Continuing Education Courses [25]
10. Samples - Audit, Review or Compilation [27]
11. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 59 REPORTING OF RESTATEMENTS

Minimum Penalty - Correction of Violation and/or Continuing Education Courses [25]
 Maximum Penalty - Revocation [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. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. Continuing Education Courses [25]
 7. Community Service – Free Services [29]
 8. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(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 [25]
 Maximum Penalty - Revocation [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. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. Continuing Education Courses [25]

7. Community Service – Free Services [29]
8. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5063)

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

Minimum Penalty - Correction of Violation and/or Continuing Education Courses [25]

Maximum Penalty - Revocation [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. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Engagement Letters [18]
 5. Ethics Continuing Education [20]
 6. Regulatory Review Course [21]
 7. Continuing Education Courses [25]
 8. Community Service – Free Services [29]
 9. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5063)

SECTION 62 CONTINGENT FEES

Minimum Penalty - Correction of Violation

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]
 3. Restitution [16]
 4. Restricted Practice [17]
 5. Engagement Letters [18]
 6. Ethics Continuing Education [20]
 7. Regulatory Review Course [21]
 8. Continuing Education Courses [25]
 9. Community Service – Free Services [29]
 10. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 63 ADVERTISING

Minimum Penalty - Correction of Violation and/or Continuing Education Courses [25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [1-2,4], 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. Community Service – Free Services [29]
 5. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

SECTION 65 INDEPENDENCE

Minimum Penalty - Correction of Violation and/or Continuing Education Courses [25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

If warranted: 1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]
 3. Restitution [16]
 4. Restricted Practice [17]
 5. Engagement Letters [18]
 6. Ethics Continuing Education [20]
 7. Regulatory Review Course [21]
 8. Peer Review [22]
 9. CPA Exam [23]
 10. Samples - Audit, Review or Compilation [27]
 11. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

SECTION 67 APPROVAL OF USE OF FICTITIOUS NAME

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

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

- If warranted:
1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Community Service – Free Services [29]
 4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 68 RETENTION OF CLIENT'S RECORDS

Minimum Penalty - Continuing Education Courses [25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]
 3. Restitution [16]
 4. Restricted Practice [17]
 5. Engagement Letters [18]
 6. Ethics Continuing Education [20]
 7. Regulatory Review Course [21]
 8. Continuing Education Courses [25]
 9. Community Service – Free Services [29]
 10. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
 11. Conditions as appropriate relating to physical or mental disability or condition [31-36]

(Reference Section 5037)

SECTION 68.1 WORKING PAPERS DEFINED; RETENTION

Minimum Penalty - Continuing Education Courses [25]
Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Restitution [16]
 3. Restricted Practice [17]
 4. Engagement Letters [18]
 5. Ethics Continuing Education [20]
 6. Regulatory Review Course [21]
 7. Continuing Education Courses [25]

8. Community Service – Free Services [29]
9. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]
10. Conditions as appropriate relating to physical or mental disability or condition [31-36]

SECTION 68.2 COMPONENTS OF AUDIT DOCUMENTATION

Minimum Penalty - Continuing Education Courses [25]

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [5-14]
 3. Continuing Education Courses [25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. Peer Review [22]
 7. CPA Exam [23]
 8. Samples - Audits, Review or Compilation [27]
 9. Community Service – Free Services [29]
 - 10 Notice to Clients [31]
 11. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5097)

SECTION 68.3 RETENTION PERIOD FOR AUDIT DOCUMENTATION

Minimum Penalty - Continuing Education Courses [25]

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [5-14]
 3. Continuing Education Courses [25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Library Reference Material [19]
 5. Ethics Continuing Education [20]
 6. Regulatory Review Course [21]

7. Peer Review [22]
8. CPA Exam [23]
9. Samples - Audits, Review or Compilation [27]
10. Community Service – Free Services [29]
11. Notice to Clients [31]
12. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5097)

SECTION 68.4 CHANGES IN AUDIT DOCUMENTATION AFTER ISSUANCE OF REPORT

Minimum Penalty - Continuing Education Courses [25]

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [5-14]
 3. Continuing Education Courses [25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Library Reference Material [19]
 5. Ethics Continuing Education [20]
 6. Regulatory Review Course [21]
 7. Peer Review [22]
 8. CPA Exam [23]
 7. Samples - Audits, Review or Compilation [27]
 8. Community Service – Free Services [29]
 9. Notice to Clients [31]
 10. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5097)

SECTION 68.5 AUDIT DOCUMENTATION RETENTION AND DESTRUCTION POLICY

Minimum Penalty - Continuing Education Courses [25]

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [5-14]
 3. Continuing Education Courses [25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]

3. Restricted Practice [17]
4. Library Reference Material [19]
5. Ethics Continuing Education [20]
6. Regulatory Review Course [21]
7. Peer Review [22]
8. CPA Exam [23]
9. Samples - Audits, Review or Compilation [27]
10. Community Service – Free Services [29]
11. Notice to Clients [31]
12. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5097)

SECTION 69 CERTIFICATION OF APPLICANT'S EXPERIENCE

Minimum Penalty - Correction of Violation

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [15]
 3. Ethics Continuing Education [20]
 4. Regulatory Review Course [21]
 5. Community Service – Free Services [29]
 6. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

ARTICLE 11: ACCOUNTANCY CORPORATION RULES

SECTION 75.8 SECURITY FOR CLAIMS AGAINST AN ACCOUNTANCY CORPORATION

Minimum Penalty - Correction of Violation

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Supervised Practice [15]
 2. Restitution [16]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]

5. Regulatory Review Course [21]
6. Continuing Education Courses [25]
7. Samples - Audit, Review or Compilation [27]
8. Prohibition from Handling Funds [28]
9. Community Service – Free Services [29]
10. Notification to Clients [31]
11. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 75.9 SHARES: OWNERSHIP AND TRANSFER

Minimum Penalty - Correction of Violation

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

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

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

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

Minimum Penalty - Correction of Violation

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

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

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

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 [25]
Maximum Penalty – Revocation [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. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. Continuing Education Courses [25]

 7. Samples – Audit, Review or Compilation [27]
 8. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

SECTION 87 BASIC REQUIREMENTS (Continuing Education)

Minimum Penalty – Correction of Violation and/or Continuing Education Courses [25]
Maximum Penalty – Revocation [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. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. Continuing Education Courses [25]
 7. Samples – Audit, Review or Compilation [27]
 8. Administrative Penalty not to exceed maximum set forth in
 Section 5116 [32]

SECTION 87.5 ADDITIONAL CONTINUING EDUCATION REQUIREMENTS

Minimum Penalty - Correction of Violation
Maximum Penalty - Revocation stayed, 3 years probation [1-2,4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

If warranted: 1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]

3. Continuing Education Courses [25]
4. Active License Status [26]
5. Samples - Audit, Review or Compilation [27]
6. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

**SECTION 87.6 RECORDS REVIEW
CONTINUING EDUCATION REQUIREMENTS**

Minimum Penalty - Correction of Violation

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

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

- If warranted:
1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Continuing Education Courses [25]
 4. Samples - Audit, Review or Compilation [27]
 5. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 87.8 REGULATORY REVIEW COURSE

Minimum Penalty - Correction of Violation

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

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

- If warranted:
1. Ethics Continuing Education [20]
 2. Continuing Education Courses [25]
 3. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 89 CONTROL AND REPORTING

Minimum Penalty - Correction of Violation

Maximum Penalty - Revocation [1-2]

CONDITIONS OF PROBATION:

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

- If warranted:
1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Continuing Education Courses [25]
 4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 89.1 REPORTS

Minimum Penalty - Correction of Violation

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

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [5-14]

- If warranted:
1. Ethics Continuing Education [20]
 2. Regulatory Review Course [21]
 3. Continuing Education Courses [25]
 4. Samples - Audit, Review or Compilation [27]
 5. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

SECTION 90 EXCEPTIONS AND EXTENSIONS

Minimum Penalty – Continuing Education [25]

Maximum Penalty – Revocation [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. Supervised Practice [15]
 3. Restricted Practice [17]
 4. Ethics Continuing Education [20]
 5. Regulatory Review Course [21]
 6. Continuing Education Courses [25]
 7. Samples – Audit, Review or Compilation [27]
 8. Administrative Penalty not to exceed maximum set forth in Section 5116 [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 [1-2,4]

CONDITIONS OF PROBATION:

- Required:
1. Standard Conditions of Probation [5-14]
 2. Restitution [16]
 3. Compliance with Citation Abatement Order and/or Fine
- If warranted:
1. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

VIOLATION OF PROBATION

Minimum penalty - Citation and Fine (13)

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.

Section 5050
Section 5051
Section 5055
Section 5056

Section 5058
Section 5071
Section 5072
Section 5088

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.

VIII. MODEL DISCIPLINARY ORDERS

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:

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

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.

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].

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.

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.

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.

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.

11. Comply With Citations

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

12. 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.

13. 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.

14. 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)

15. 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.

16. 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.

17. 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.).

18. 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.

19. 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.

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.

21. 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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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 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).



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EPOC Item III.
 March 20, 2014

CBA Item VI.C.3.
 March 20-21, 2014

Discussion of Recommended Changes to the Disciplinary Guidelines and Model Orders Regarding Business and Professions Code Section 5096(e)(10) - Notification of Pending Criminal Charges for Practice Privilege Holders

Presented by: Rafael Ixta, Chief, Enforcement Division
Date: January 2, 2014

Purpose of the Item

The purpose of this agenda item is to present a background of the changes previously adopted by the California Board of Accountancy (CBA) to the Disciplinary Guidelines (Guidelines), and to present a recommended addition to the Guidelines for a person exercising a practice privilege in California that fails to notify the CBA of pending criminal charges in accordance with California Business and Professions Code (BPC) section 5096(e)(10).

Action(s) Needed

Staff is requesting the CBA approve of the attached Guideline and offer additional revisions as needed (**Attachment 1**). Because the reference numbers have changed between the 8th and 9th Editions of the Guidelines, included with the proposed Guideline is a list of all Standard and Optional terms of probation as approved in the 9th Edition of the Guidelines.

The 9th Edition of the Guidelines are scheduled for public hearing in May 2014.

Background

On September 20, 2012 Governor Brown signed Senate Bill (SB) 1405, which created the new practice privilege program that went into effect on July 1, 2013 (**Attachment 2**).¹

Under the new program, BPC section 5096.2(a) gives the CBA the authority to revoke a practice privilege under specified circumstances (**Attachment 2, pages 16-17**).

The new law also required the CBA to adopt emergency regulations in order for it to be implemented. The regulations adopted included revisions to the Guidelines (8th Edition), which were adopted by the CBA at the January 24-25, 2013 CBA meeting.²

¹ In order to add clarity, staff has omitted pages two through six, which relate to a military-inactive license status, and highlighted the relevant code sections addressed in this agenda item.

² The Disciplinary Guidelines and Model Orders attached to EPOC Item II are the 8th edition, and were approved by the CBA at the January 2013 Meeting. The CBA subsequently approved a wholesale revision of the Guidelines in September 2013, which are currently in the regulatory process. Please note, outside of the notation numbers, the Guidelines specifically relating to practice privilege, BPC section 5096, are the same in both editions.

The emergency regulations were approved by the Office of Administrative Law and went into effect on July 1, 2013.

When revising the Guidelines to include the new practice privilege provisions, staff began with the established practice privilege guidelines, as they provided a baseline of what the CBA felt was appropriate discipline for violating the previous practice privilege law. Staff also reviewed BPC sections 5096(g) and 5096(i)(1)(E)(2), as they required specific discipline for failure to file a Notice of Prohibition of Practice, or Failure to Cease Practice (**Attachment 2, pages 11-12**).

Finally, in order to avoid a practice privilege holder being placed on probation indefinitely, the Guidelines adopted by the CBA do not include a tolling clause for violations of the Accountancy Act (**Attachment 1**). Removal of the tolling clause was done recognizing that there could be situations where revocation was not the appropriate level of discipline. Therefore, the Guidelines range from revocation stayed (with standard and optional terms of probation) to a maximum penalty of revocation.

At the January 24-25, 2013 CBA meeting, staff presented a discussion item related to a potential legislative change to the new practice privilege law. Specifically, staff recommended the CBA sponsor legislation to require out-of-state licensees report pending criminal convictions to the CBA. The rationale for the suggested change was to bring the reporting requirement for a person exercising a practice privilege in line with a person that is seeking licensure in California, and for existing California licensees. SB 822, which was signed into law on September 20, 2013, created a new reporting requirement for practice privilege holders effective January 1, 2014.³ SB 822 included the addition of subsection 10 to 5096(e), which requires a practice privilege holder to notify the CBA of any pending criminal charges, other than for a minor traffic violation, in any jurisdiction (**Attachment 3, page 5**).

Comments

Staff drafted the attached disciplinary guideline for a person exercising a practice privilege in California that fails to notify the CBA of pending criminal charges (**Attachment 1**). In order to be included in the pending regulatory package, the Guideline presented and approved by the CBA must be the same language as what will be added to the Guidelines. The minimum and maximum penalties, along with the standard and optional conditions of probation are consistent with the established disciplinary guidelines related to violations of BPC section 5096 approved in January 2013 and the rest of the practice privilege guidelines.

Fiscal/Economic Impact Considerations

There is minimal fiscal or economic impact to adding the Guideline.

Recommendation

Staff recommends the EPOC members review and approve the attached Guideline, which will then be incorporated into the Disciplinary Guidelines and Model Orders that is currently in the rulemaking process.

³ Staff has only included those sections that are relevant to the CBA, specifically pages four through nine.

Attachments

1. Suggested changes to the California Board of Accountancy Disciplinary Guidelines and Model Orders, 9th Edition, 2013. (*Model Orders, Standard and Optional Terms of Probation, 9th Edition, are included for reference*)
2. Senate Bill 1405
3. Senate Bill 822



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Attachment 1

Suggested changes to the California Board of Accountancy Disciplinary Guidelines and Model Orders, 9th Edition, 2013

Section 5096(e)(10) Failure to Report Pending Criminal Charges

Minimum Penalty: One year suspension [3]

Maximum Penalty: Revoke Practice Privilege [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]

- If warranted:
1. Probation Monitoring Costs [27]
 2. Ethics Continuing Education [31]
 3. Regulatory Review Course [23]
 4. Administrative Penalty not to exceed maximum set forth in Section 5116 [43]

MODEL ORDERS

(As Included in the 9th Edition of the Disciplinary Guidelines
Which is Currently In the Regulatory Process)

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

15. 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. 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. 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. 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. 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. 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. Comply With Citations

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

22. 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. 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. 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. 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. 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. 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. 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. 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. 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. 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.

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. 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. 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. 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. Continuing Education Courses

Respondent shall complete and provide proper documentation of (specified) professional education courses within (a designated time). This shall be in addition to continuing education requirements for relicensing.

37. 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. 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. 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. 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. 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. 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. 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. 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. 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. 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. 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. 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. 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 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).

Senate Bill No. 1405

CHAPTER 411

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

[Approved by Governor September 20, 2012. Filed with
Secretary of State September 20, 2012.]

LEGISLATIVE COUNSEL'S DIGEST

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

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

(1) Existing law provides for the regulation of various professions and vocations by boards within the Department of Consumer Affairs and for the licensure of individuals in that regard. Existing law authorizes any licensee whose license expired while he or she was on active duty as a member of the California National Guard or the United States Armed Forces to reinstate his or her license without examination or penalty if certain requirements are met. A permit issued to a certified public accountant or a public accountant is subject to a biennial renewal fee. Existing law also imposes certain continuing education and peer review requirements on persons licensed by the board. Existing law makes violation of certain provisions governing accountants a crime.

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

(2) Existing law authorizes an individual whose principal place of business is not in this state, and who has a valid and current license,

certificate, or permit, to practice public accountancy from another state, and to engage in the practice of public accountancy in this state under a practice privilege if a condition is satisfied. Under existing law, if such a condition is met, the individual, in order to obtain a practice privilege, is required to, among other things, provide notice to the board by submitting a notification form and pay fees, as specified. Existing law provides that an individual with a practice privilege is subject to the personal and subject matter jurisdiction and disciplinary authority of the board and the state courts and is required to comply with the accountancy provisions applicable to licensees. Under existing law, except as otherwise specified, a practice privilege expires one year from the date of the notice to the board. Existing law authorizes the board to deny practice privileges using specified procedures. Existing law prohibits an individual with a practice privilege from signing an attest report unless he or she meets specified experience requirements and completes any continuing education or other conditions as required by the board. Existing law makes these provisions operative only if there is a specified appropriation in the annual Budget Act to fund the practice privilege provisions.

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

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

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

Commencing January 1, 2016, the bill would authorize the board to make a determination based on specified factors about whether allowing individuals from a particular state to practice pursuant to a practice privilege violates the board's duty to protect the public. If the board were to make such a determination, the bill would require the board to require those individuals, except as specified, to file the notification form and pay specified fees. The bill would require the board to report to the relevant policy committees of the Legislature and the director preliminary determinations made pursuant to these provisions no later than July 1, 2015.

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

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

The bill would make other related conforming changes.

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

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

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

SECTION 1. Section 5058.4 is added to the Business and Professions Code, to read:

5058.4. The holder of a permit in a military inactive status issued by the board pursuant to Section 5070.2, when lawfully using the title "certified public accountant," the CPA designation, or any other reference that would suggest that the person is licensed by the board, on materials such as correspondence, Internet Web sites, business cards, nameplates, or name

plaques, shall place the term “military inactive” immediately after that title, designation, or reference.

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

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

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

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

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

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

(2) The board shall deny an applicant’s application for a military inactive status permit if the permit issued pursuant to Section 5070 is canceled or if it is suspended, revoked, or otherwise punitively restricted by the board or subject to disciplinary action under this chapter.

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

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

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

(2) The continuing education requirements of Section 5027.

(3) The peer review requirements of Section 5076.

(d) In order to convert a permit status from military inactive status prior to discharge from active duty as a member of the California National Guard

or the United States Armed Forces, the holder of a permit in a military inactive status shall comply with all of the following requirements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Each partner engaged within this state in the practice of public accountancy as defined by Section 5051 shall hold a valid permit to practice in this state or shall have applied for a certificate as a certified public accountant under Sections 5087 and 5088, except for a partner with practice privileges pursuant to Section 5096.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) The applicant shall show, to the satisfaction of the board, that the applicant has had two years of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. To be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting 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. Experience in private 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.

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

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

5096. (a) 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 may, subject to the conditions and limitations in this article, engage in the practice of public accountancy in this state under a practice privilege without obtaining a certificate or license under this chapter if the individual satisfies one of the following:

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

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

experience qualifications for licensure substantially equivalent to this state's qualifications under Section 5093.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Disqualifying conditions include:

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

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

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

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

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

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

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

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

5096. (a) 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 may, subject to the conditions and limitations in this article, engage in the practice of public accountancy in this state under a practice privilege without obtaining a certificate or license under this chapter if the individual satisfies one of the following:

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

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

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

(b) The board may designate states as substantially equivalent under paragraph (2) of subdivision (a) and may accept individual qualification

evaluations or appraisals conducted by designated entities, as satisfying the requirements of paragraph (3) of subdivision (a).

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

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

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

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

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

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

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

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

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

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

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

(6) Shall cease exercising the practice privilege in this state if the regulatory agency in the state in which the individual's certificate, license, or permit was issued takes disciplinary action resulting in the suspension

or revocation, including stayed suspension, stayed revocation, or probation of the individual's certificate, license, or permit, or takes other disciplinary action against the individual's certificate, license, or permit that arises from any of the following:

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

(B) Fraud or misappropriation of funds.

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

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

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

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

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

(g) An individual who fails to cease practice as required by subdivision (e) or that fails to provide the notice required by subdivision (f) shall be subject to the personal and subject matter jurisdiction and disciplinary authority of the board as if the practice privilege were a license and the individual were a licensee. An individual in violation of subdivision (e) or (f) shall, for a minimum of one year from the date the board learns there has been a violation of subdivision (e) or (f), not practice in this state and shall not have the possibility of reinstatement during that period. If the board determines 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.

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

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

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

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

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

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

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

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

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

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

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

5096. (a) 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 may, subject to the conditions and limitations in this article, engage in the practice of public accountancy in this state under a practice privilege without obtaining a certificate or license under this chapter if the individual satisfies one of the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(g) (1) No individual may practice under a practice privilege without prior approval of the board if the individual has, or acquires at any time

during the term of the practice privilege, any disqualifying condition under paragraph (2) of this subdivision.

(2) Disqualifying conditions include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5096.1. (a) Any individual, not a licensee of this state, who is engaged in any act which is the practice of public accountancy in this state, and who does not qualify to practice pursuant to the practice privilege described in Section 5096 and who has a license, certificate, or other authority to engage in the practice of public accountancy in any other state, regardless of whether active, inactive, suspended, or subject to renewal on payment of a fee or completion of an educational or ethics requirement, is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) That the practice privilege is denied.

(B) The reasons for denial.

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

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

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

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

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

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

SEC. 15. Section 5096.2 is added to the Business and Professions Code, to read:

5096.2. (a) (1) Practice privileges may be revoked for any of the following reasons:

(A) If an individual no longer qualifies under, or complies with, the provisions of this article, including, but not limited to, Section 5096, or implementing regulations.

(B) If an individual commits any act that if committed by an applicant for licensure would be grounds for denial of a license under Section 480.

(C) If an individual commits any act that if committed by a licensee would be grounds for discipline under Section 5100.

(D) If an individual commits any act outside of this state that would be a violation if committed within this state.

(E) If an individual acquires at any time, while exercising the practice privilege, any disqualifying condition under paragraph (2).

(2) Disqualifying conditions include:

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

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

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

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

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

(b) The board may revoke practice privileges using either of the following procedures:

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

(A) That the practice privilege is revoked.

(B) The reasons for revocation.

(C) The earliest date on which the individual may qualify for a practice privilege.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) That the practice privilege is denied.

(B) The reasons for denial.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) The reason for the suspension.

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

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

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

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

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

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

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

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

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

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

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

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

(1) The reason for the suspension.

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

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

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

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

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

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

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

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

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

5096.4. (a) The right of an individual to practice in this state under a practice privilege may be administratively suspended at any time by an order issued by the board or its executive officer, without prior notice or hearing, for the purpose of conducting a disciplinary investigation,

proceeding, or inquiry concerning the representations made in the notice, the individual's competence or qualifications to practice under practice privileges, failure to timely respond to a board inquiry or request for information or documents, or under other conditions and circumstances provided for by board regulation. The board shall consult the Public Company Accounting Oversight Board and the Securities and Exchange Commission on an every six-month basis to identify out-of-state licensees who may have disqualifying conditions, or may be obliged to cease practice, and shall disclose, pursuant to this subdivision, whether those out-of-state licensees are lawfully permitted to exercise the privilege. Disclosure of this information shall not be considered discipline.

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

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

(1) The reason for the suspension.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Any notice of practice privileges under this article and supporting documents is deemed an application for licensure for purposes of the provisions of this code, including, but not limited to, the provisions of this chapter and the provisions of Division 1.5 (commencing with Section 475) related to the denial, suspension, and revocation of licenses.

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

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

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

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

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

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

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

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

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

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

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

(b) Any notice of practice privileges under this article and supporting documents is deemed an application for licensure for purposes of the provisions of this code, including, but not limited to, the provisions of this chapter and the provisions of Division 1.5 (commencing with Section 475) related to the denial, suspension, and revocation of licenses.

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

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

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

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

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

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

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

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

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

5096.10. (a) The provisions of this article shall only be operative if there is an appropriation from the Accountancy Fund in the annual Budget Act to fund the activities in the article and sufficient hiring authority is

granted pursuant to a budget change proposal to the board to provide staffing to implement this article.

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

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

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

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

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

(b) The board may revoke, suspend, issue a fine pursuant to Article 6.5 (commencing with Section 5116), 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.

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

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

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

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

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

(b) The board may revoke, suspend, issue a fine pursuant to Article 6.5 (commencing with Section 5116), 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.

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

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

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

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

5096.12. (a) A certified public accounting firm that is authorized to practice in another state and that does not have an office in this state may

engage in the practice of public accountancy in this state through the holder of a practice privilege provided that:

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

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

(b) The board may revoke, suspend, issue a fine pursuant to Article 6.5 (commencing with Section 5116), 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.

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

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

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

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

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

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

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

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

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

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

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

(d) This section shall become inoperative on July 1, 2013, and, as of January 1, 2014, is repealed, unless a later enacted statute, that becomes

operative on or before January 1, 2014, deletes or extends the dates on which it becomes inoperative and is repealed.

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

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

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

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

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

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

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

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

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

5096.15. (a) It is the intent of the Legislature that the board adopt regulations providing for a lower fee or no fee for out-of-state accountants who do not sign attest reports for California clients under the practice privilege. These regulations shall ensure that the practice privilege program is adequately funded. These regulations shall be adopted as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code and, for purposes of that chapter, the adoption of the regulations shall be considered

by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health and safety, and general welfare.

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

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

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

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

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

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

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

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

(6) If the board of another state does not maintain an Internet Web site that allows a consumer to obtain information about its licensees including, but not limited to, disciplinary history, and that information is not available through a link to an Internet Web site maintained by another entity, a link to contact information for that board, which contains a disclaimer in plain language that explains that the consumer is being referred to a board that does not permit the consumer to obtain information, including, but not limited to, disciplinary history, about individuals through the Internet Web site, and that the out-of-state board is not affiliated with the board.

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

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

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

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

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

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

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

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

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

(d) (1) The board shall report to the relevant policy committees of the Legislature, the director, and the public, upon request, preliminary determinations made pursuant to this section no later than July 1, 2015. The board shall, prior to January 1, 2016, and thereafter as it deems appropriate,

review its determinations made pursuant to subdivision (b) to ensure that it is in compliance with this section.

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

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

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

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

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

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

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

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

Senate Bill No. 822

CHAPTER 319

An act to amend Sections 5096, 5096.2, 5096.12, 7026.1, 7065.3, 7114, 7141, 7206, 7210, 7887, 9807, and 17914 of, to add Section 7851 to, and to repeal Sections 102.1 and 102.2 of, the Business and Professions Code, and to amend Section 44011 of the Health and Safety Code, relating to professions and vocations, and making an appropriation therefor.

[Approved by Governor September 20, 2013. Filed with
Secretary of State September 20, 2013.]

LEGISLATIVE COUNSEL'S DIGEST

SB 822, 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.

(3) Existing law, the Contractors' State License Law, provides for the licensure and regulation of contractors in this state. Existing law defines the term "contractor" to mean, among other things, any person, consultant to an owner-builder, corporation, or company who or which undertakes, offers to undertake, purports to have the capacity to undertake, or submits

a bid to construct any building or home improvement project, or a part thereof.

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 that the term "contractor" or "consultant" does not apply to a common interest development manager, and a common interest development manager is not required to have a contractor's license when performing management services, as defined.

The 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.

(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 the regular meeting requirement.

(5) Existing law, the Geologist and Geophysicist Act, provides for the licensure, 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 Engineer's and

Land Surveyor's Fund, which is a continuously appropriated fund, into which fees prescribed by the act are deposited.

This bill would create a new category of licensure, to be known as a "retired license," for a geologist or geophysicist who meets specified qualifications and would prescribe fees necessary to obtain a retired license, as well as restrictions on holders of the license. The bill would also specify the title that the holder of a retired license 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.

(7) Existing law authorizes service dealers, licensed by the Bureau of Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation, to install, calibrate, service, maintain, and monitor ignition interlock devices.

This bill would limit that authorization to those licensed persons who are authorized to engage in the electronic repair industry, as defined.

(8) Existing law establishes a motor vehicle inspection and maintenance (smog check) program administered by the Department of Consumer Affairs.

This bill would correct an erroneous cross-reference with respect to that program.

(9) This bill would incorporate changes to Section 7887 of the Business and Professions Code proposed by SB 152 that would become operative if this bill and SB 152 are both chaptered and this bill is chaptered last.

(10) 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.

Appropriation: yes.

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

SECTION 1. Section 102.1 of the Business and Professions Code is repealed.

SEC. 2. Section 102.2 of the Business and Professions Code is repealed.

SEC. 3. Section 5096 of the Business and Professions Code, as added by Section 9 of Chapter 411 of the Statutes of 2012, is amended to read:

5096. (a) 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 may, subject to the conditions and limitations in this article, engage in the practice of public accountancy in this state under a practice privilege without obtaining a certificate or license under this chapter if the individual satisfies one of the following:

(1) The individual has continually practiced public accountancy as a certified public accountant under a valid license issued by any state for at least 4 of the last 10 years.

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

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

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

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

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

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

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

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

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

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

(2) Shall comply with the provisions of this chapter, board regulations, and other laws, regulations, and professional standards applicable to the practice of public accountancy by the licensees of this state and to any other laws and regulations applicable to individuals practicing under practice privileges in this state except the individual is deemed, solely for the purpose of this article, to have met the continuing education requirements and ethics examination requirements of this state when the individual has met the examination and continuing education requirements of the state in which

the individual holds the valid license, certificate, or permit on which the substantial equivalency is based.

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

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

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

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

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

(B) Fraud or misappropriation of funds.

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

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

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

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

(10) Shall notify the board of any pending criminal charges, other than for a minor traffic violation, in any jurisdiction.

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

(g) An individual who fails to cease practice as required by subdivision (e) or who fails to provide the notice required by subdivision (f) shall be subject to the personal and subject matter jurisdiction and disciplinary authority of the board as if the practice privilege were a license and the individual were a licensee. An individual in violation of subdivision (e) or (f) shall, for a minimum of one year from the date the board learns there has been a violation of subdivision (e) or (f), not practice in this state and shall not have the possibility of reinstatement during that period. If the board determines 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.

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

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

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

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

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

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

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

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

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

SEC. 4. Section 5096.2 of the Business and Professions Code, as added by Section 15 of Chapter 411 of the Statutes of 2012, is amended to read:

5096.2. (a) (1) Practice privileges may be revoked for any of the following reasons:

(A) If an individual no longer qualifies under, or complies with, the provisions of this article, including, but not limited to, Section 5096, or implementing regulations.

(B) If an individual commits any act that if committed by an applicant for licensure would be grounds for denial of a license under Section 480.

(C) If an individual commits any act that if committed by a licensee would be grounds for discipline under Section 5100.

(D) If an individual commits any act outside of this state that would be a violation if committed within this state.

(E) If an individual acquires at any time, while exercising the practice privilege, any disqualifying condition under paragraph (2).

(2) Disqualifying conditions include:

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

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

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

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

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

(b) The board may revoke practice privileges using either of the following procedures:

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

(A) That the practice privilege is revoked.

(B) The reasons for revocation.

(C) The earliest date on which the individual may qualify for a practice privilege.

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

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

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

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

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

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

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

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

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

SEC. 5. Section 5096.12 of the Business and Professions Code, as added by Section 35 of Chapter 411 of the Statutes of 2012, is amended to read:

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

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

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

(b) The board may revoke, suspend, issue a fine pursuant to Article 6.5 (commencing with Section 5116), issue a citation and fine pursuant to Section 125.9, 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.

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

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

SEC. 6. Section 7026.1 of the Business and Professions Code is amended to read:

7026.1. (a) The term “contractor” includes all of the following:

(1) Any person not exempt under Section 7053 who maintains or services air-conditioning, heating, or refrigeration equipment that is a fixed part of the structure to which it is attached.

(2) (A) Any person, consultant to an owner-builder, firm, association, organization, partnership, business trust, corporation, or company, who or which undertakes, offers to undertake, purports to have the capacity to undertake, or submits a bid to construct any building or home improvement project, or part thereof.

(B) For purposes of this paragraph, a consultant is a person, other than a public agency or an owner of privately owned real property to be improved, who meets either of the following criteria as it relates to work performed pursuant to a home improvement contract as defined in Section 7151.2:

(i) Provides or oversees a bid for a construction project.

(ii) Arranges for and sets up work schedules for contractors and subcontractors and maintains oversight of a construction project.

(3) A temporary labor service agency that, as the employer, provides employees for the performance of work covered by this chapter. The provisions of this paragraph shall not apply if there is a properly licensed contractor who exercises supervision in accordance with Section 7068.1 and who is directly responsible for the final results of the work. Nothing in this paragraph shall require a qualifying individual, as provided in Section 7068, to be present during the supervision of work covered by this chapter. A contractor requesting the services of a temporary labor service agency shall provide his or her license number to that temporary labor service agency.

(4) Any person not otherwise exempt by this chapter, who performs tree removal, tree pruning, stump removal, or engages in tree or limb cabling or guying. The term contractor does not include a person performing the activities of a nurseryperson who in the normal course of routine work performs incidental pruning of trees, or guying of planted trees and their limbs. The term contractor does not include a gardener who in the normal course of routine work performs incidental pruning of trees measuring less than 15 feet in height after planting.

(5) Any person engaged in the business of drilling, digging, boring, or otherwise constructing, deepening, repairing, re-perforating, or abandoning any water well, cathodic protection well, or monitoring well.

(b) The term “contractor” or “consultant” does not include a common interest development manager, as defined in Section 11501, and a common interest development manager is not required to have a contractor’s license when performing management services, as defined in subdivision (d) of Section 11500.

SEC. 7. Section 7065.3 of the Business and Professions Code is amended to read:

7065.3. Notwithstanding Section 7065, upon a conclusive showing by a licensee that he or she possesses experience satisfactory to the registrar in the classification applied for, an additional classification may be added, without further examination, under all of the following conditions:

(a) For five of the seven years immediately preceding the application, the qualifying individual of the licensee has been listed as a member of the personnel of any licensee whose license was active and in good standing, and who during the period listed on a license was actively engaged in the licensee's construction activities.

(b) The qualifying individual for the applicant has had within the last 10 years immediately preceding the filing of the application, not less than four years experience as a journeyman, foreman, supervising employee, or contractor in the classification within which the licensee intends to engage in the additional classification as a contractor.

(c) The application is, as determined by the registrar, for a classification that is closely related to the classification or classifications in which the licensee is licensed, or the qualifying individual is associated with a licensed general engineering contractor or licensed general building contractor and is applying for a classification that is a significant component of the licensed contractor's construction business as determined by the registrar. This section shall not apply to an applicant who is licensed solely within the limited-specialty classifications.

Pursuant to Section 7065, the registrar shall conduct a comprehensive investigation of no less than 3 percent of applications filed under this section to ensure that the applicants met the experience requirements of this section.

SEC. 8. Section 7114 of the Business and Professions Code is amended to read:

7114. (a) Aiding or abetting an unlicensed person to evade the provisions of this chapter or combining or conspiring with an unlicensed person, or allowing one's license to be used by an unlicensed person, or acting as agent or partner or associate, or otherwise, of an unlicensed person with the intent to evade the provisions of this chapter constitutes a cause for disciplinary action.

(b) A licensee who is found by the registrar to have violated subdivision (a) shall, in accordance with the provisions of this article, be subject to the registrar's authority to order payment of a specified sum to an injured party, including, but not limited to, payment for any injury resulting from the acts of the unlicensed person.

SEC. 9. Section 7141 of the Business and Professions Code is amended to read:

7141. (a) Except as otherwise provided in this chapter, a license that has expired may be renewed at any time within five years after its expiration by filing an application for renewal on a form prescribed by the registrar and payment of the appropriate renewal fee. Renewal under this section shall be effective on the date an acceptable renewal application is filed with

the board. The licensee shall be considered unlicensed and there will be a break in the licensing time between the expiration date and the date the renewal becomes effective. Except as provided in subdivision (b), if the license is renewed after the expiration date, the licensee shall also pay the delinquency fee prescribed by this chapter.

(b) An incomplete renewal application that had originally been submitted on or before the license expiration date shall be returned to the licensee by the registrar with an explanation of the reasons for its rejection. If a corrected and acceptable renewal application is not returned within 30 days after the license expiration date, the delinquency fee shall apply. The 30 day grace period shall apply only to the delinquency fee. The license shall reflect an expired status for any period between the expiration date and the date of submission of a correct and acceptable renewal application.

(c) If so renewed, the license shall continue in effect through the date provided in Section 7140 that next occurs after the effective date of the renewal, when it shall expire if it is not again renewed.

(d) If a license is not renewed within five years, the licensee shall make an application for a license pursuant to Section 7066.

SEC. 10. Section 7206 of the Business and Professions Code is amended to read:

7206. Special meetings shall be held upon request of a majority of the members of the board or upon the call of the president.

SEC. 11. Section 7210 of the Business and Professions Code is amended to read:

7210. It shall be unlawful for any person to sell, offer for sale, give, hire or furnish under any other arrangement, any guide dog or to engage in the business or occupation of training a guide dog unless he or she holds a valid and unimpaired license issued pursuant to this chapter.

SEC. 12. Section 7851 is added to the Business and Professions Code, to read:

7851. (a) The board shall issue, upon application and payment of the fee established by Section 7887, a retired license to a geologist or geophysicist who has been licensed by the board for a minimum of five years within California and a minimum of 20 years within the United States or its territories, and who holds a license that is not suspended, revoked, or otherwise disciplined, or subject to pending discipline under this chapter.

(b) The holder of a retired license issued pursuant to this section shall not engage in any activity for which an active geologist's or geophysicist's license is required. A geologist or geophysicist holding a retired license may use the titles "retired professional geologist" or "professional geologist, retired," or "retired professional geophysicist" or "professional geophysicist, retired."

(c) The holder of a retired license shall not be required to renew that registration.

(d) In order for the holder of a retired license, issued pursuant to this section, to restore his or her license to active status he or she shall pass the examination required for initial licensure with the board.

SEC. 13. Section 7887 of the Business and Professions Code is amended to read:

7887. The amount of the fees prescribed by this chapter shall be fixed by the board in accordance with the following schedule:

(a) The fee for filing each application for licensure as a geologist or a geophysicist or certification as a specialty geologist or a specialty geophysicist and for administration of the examination shall be fixed at not more than two hundred fifty dollars (\$250).

(b) The license fee for a geologist or for a geophysicist and the fee for the certification in a specialty shall be fixed at an amount equal to the renewal fee in effect on the last regular renewal date before the date on which the certificate is issued, except that, with respect to certificates that will expire less than one year after issuance, the fee shall be fixed at an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date before the date on which the certificate is issued. The board may, by appropriate regulation, provide for the waiver or refund of the initial certificate fee where the certificate is issued less than 45 days before the date on which it will expire.

(c) The duplicate certificate fee shall be fixed at not more than six dollars (\$6).

(d) The temporary license fee for a geologist or for a geophysicist shall be fixed at not more than eighty dollars (\$80).

(e) The renewal fee for a geologist or for a geophysicist shall be fixed at not more than four hundred dollars (\$400).

(f) The renewal fee for a specialty geologist or for a specialty geophysicist shall be fixed at not more than one hundred dollars (\$100).

(g) Notwithstanding Section 163.5, the delinquency fee for a certificate is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date.

(h) Each applicant for licensure as a geologist shall pay an examination fee fixed at an amount equal to the actual cost to the board to administer the examination described in subdivision (d) of Section 7841.

(i) Each applicant for licensure as a geophysicist or certification as an engineering geologist or certification as a hydrogeologist shall pay an examination fee fixed by the board at an amount equal to the actual cost to the board for the development and maintenance of the written examination, and shall not exceed one hundred dollars (\$100).

(j) The fee for a retired license shall be fixed at not more than 50 percent of the fee for filing an application for licensure as a geologist or a geophysicist in effect on the date of application for a retired license.

SEC. 13.5. Section 7887 of the Business and Professions Code is amended to read:

7887. The amount of the fees prescribed by this chapter shall be fixed by the board in accordance with the following schedule:

(a) The fee for filing each application for licensure as a geologist or a geophysicist or certification as a specialty geologist or a specialty

geophysicist and for administration of the examination shall be fixed at not more than two hundred fifty dollars (\$250).

(b) The license fee for a geologist or for a geophysicist and the fee for the certification in a specialty shall be fixed at an amount equal to the renewal fee in effect on the last regular renewal date before the date on which the certificate is issued, except that, with respect to certificates that will expire less than one year after issuance, the fee shall be fixed at an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date before the date on which the certificate is issued. The board may, by appropriate regulation, provide for the waiver or refund of the initial certificate fee where the certificate is issued less than 45 days before the date on which it will expire.

(c) The duplicate certificate fee shall be fixed at not more than six dollars (\$6).

(d) The renewal fee for a geologist or for a geophysicist shall be fixed at not more than four hundred dollars (\$400).

(e) The renewal fee for a specialty geologist or for a specialty geophysicist shall be fixed at not more than one hundred dollars (\$100).

(f) Notwithstanding Section 163.5, the delinquency fee for a certificate is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date.

(g) Each applicant for licensure as a geologist shall pay an examination fee fixed at an amount equal to the actual cost to the board to administer the examination described in subdivision (d) of Section 7841.

(h) Each applicant for licensure as a geophysicist or certification as an engineering geologist or certification as a hydrogeologist shall pay an examination fee fixed by the board at an amount equal to the actual cost to the board for the development and maintenance of the written examination, and shall not exceed one hundred dollars (\$100).

(i) The fee for a retired license shall be fixed at not more than 50 percent of the fee for filing an application for licensure as a geologist or a geophysicist in effect on the date of application for a retired license.

SEC. 14. Section 9807 of the Business and Professions Code is amended to read:

9807. (a) Notwithstanding any other law, a service dealer licensed under this chapter and authorized to engage in the electronic repair industry, as defined in subdivision (p) of Section 9801, may install, calibrate, service, maintain, and monitor ignition interlock devices.

(b) The bureau shall adopt regulations to implement this section consistent with the standards adopted by the Bureau of Automotive Repair and the Office of Traffic Safety under Section 9882.14.

SEC. 15. Section 17914 of the Business and Professions Code is amended to read:

17914. The statement shall be signed as follows:

(a) If the registrant is an individual, by the individual.

(b) If the registrants are a married couple, by either party to the marriage.

(c) If the registrant is a general partnership, limited partnership, limited liability partnership, copartnership, joint venture, or unincorporated association other than a partnership, by a general partner.

(d) If the registrant is a limited liability company, by a manager or officer.

(e) If the registrant is a trust, by a trustee.

(f) If the registrant is a corporation, by an officer.

(g) If the registrant is a state or local registered domestic partnership, by one of the domestic partners.

SEC. 16. Section 44011 of the Health and Safety Code is amended to read:

44011. (a) All motor vehicles powered by internal combustion engines that are registered within an area designated for program coverage shall be required biennially to obtain a certificate of compliance or noncompliance, except for the following:

(1) All motorcycles until the department, pursuant to Section 44012, implements test procedures applicable to motorcycles.

(2) All motor vehicles that have been issued a certificate of compliance or noncompliance or a repair cost waiver upon a change of ownership or initial registration in this state during the preceding six months.

(3) All motor vehicles manufactured prior to the 1976 model-year.

(4) (A) Except as provided in subparagraph (B), all motor vehicles four or less model-years old.

(B) Beginning January 1, 2005, all motor vehicles six or less model-years old, unless the state board finds that providing an exception for these vehicles will prohibit the state from meeting the requirements of Section 176(c) of the federal Clean Air Act (42 U.S.C. Sec. 7401 et seq.) or the state's commitments with respect to the state implementation plan required by the federal Clean Air Act.

(C) All motor vehicles excepted by this paragraph shall be subject to testing and to certification requirements as determined by the department, if any of the following apply:

(i) The department determines through remote sensing activities or other means that there is a substantial probability that the vehicle has a tampered emission control system or would fail for other cause a smog check test as specified in Section 44012.

(ii) The vehicle was previously registered outside this state and is undergoing initial registration in this state.

(iii) The vehicle is being registered as a specially constructed vehicle.

(iv) The vehicle has been selected for testing pursuant to Section 44014.7 or any other provision of this chapter authorizing out-of-cycle testing.

(D) This paragraph does not apply to diesel-powered vehicles.

(5) In addition to the vehicles exempted pursuant to paragraph (4), any motor vehicle or class of motor vehicles exempted pursuant to subdivision (c) of Section 44024.5. It is the intent of the Legislature that the department, pursuant to the authority granted by this paragraph, exempt at least 15 percent of the lowest emitting motor vehicles from the biennial smog check inspection.

(6) All motor vehicles that the department determines would present prohibitive inspection or repair problems.

(7) Any vehicle registered to the owner of a fleet licensed pursuant to Section 44020 if the vehicle is garaged exclusively outside the area included in program coverage, and is not primarily operated inside the area included in program coverage.

(8) (A) All diesel-powered vehicles manufactured prior to the 1998 model-year.

(B) All diesel-powered vehicles that have a gross vehicle weight rating of 8,501 to 10,000 pounds, inclusive, until the department, in consultation with the state board, pursuant to Section 44012, implements test procedures applicable to these vehicles.

(C) All diesel-powered vehicles that have a gross vehicle weight rating from 10,001 pounds to 14,000 pounds, inclusive, until the state board and the Department of Motor Vehicles determine the best method for identifying these vehicles, and until the department, in consultation with the state board, pursuant to Section 44012, implements test procedures applicable to these vehicles.

(D) All diesel-powered vehicles that have a gross vehicle weight rating of 14,001 pounds or greater.

(b) Vehicles designated for program coverage in enhanced areas shall be required to obtain inspections from appropriate smog check stations operating in enhanced areas.

(c) For purposes of subdivision (a), a collector motor vehicle, as defined in Section 259 of the Vehicle Code, is exempt from those portions of the test required by subdivision (f) of Section 44012 if the collector motor vehicle meets all of the following criteria:

(1) Submission of proof that the motor vehicle is insured as a collector motor vehicle, as shall be required by regulation of the bureau.

(2) The motor vehicle is at least 35 model-years old.

(3) The motor vehicle complies with the exhaust emissions standards for that motor vehicle's class and model-year as prescribed by the department, and the motor vehicle passes a functional inspection of the fuel cap and a visual inspection for liquid fuel leaks.

SEC. 17. Section 13.5 of this bill incorporates amendments to Section 7887 of the Business and Professions Code proposed by both this bill and Senate Bill 152. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2014, (2) each bill amends Section 7887 of the Business and Professions Code, and (3) this bill is enacted after Senate Bill 152, in which case Section 13 of this bill shall not become operative.

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

within the meaning of Section 6 of Article XIII B of the California Constitution.

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LC Item II.
March 20, 2014

CBA Item VI.D.2.
March 20-21, 2014

Update on Legislation on Which the CBA Has Taken a Position

Presented by: Matthew Stanley, Legislation Analyst

Date: February 13, 2014

Purpose of the Item

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

Action(s) Needed

The CBA will be asked to approve omnibus language that was changed subsequent to approval by the CBA at its January 2014 meeting.

Background

During 2013, the CBA took positions on various pieces of legislation (**Attachment 1**). Staff recommends maintaining the current positions on Assembly Bill (AB) 186 (**Attachment 2**), regarding temporary licenses for military spouses, and Senate Bill (SB) 176 (**Attachment 3**), regarding electronic submission of rulemaking documents. Neither bill has been amended since the Legislature came back into session in January. The CBA's position on AB 186 is Support if Amended to clarify that an individual's license must be current, active, and unrestricted; and the CBA's position on SB 176 is Support. The remaining bills on Attachment 1 are dead as they failed to meet a required deadline and will no longer be followed.

At its January 2014 meeting, the CBA approved four proposals for inclusion in the annual omnibus bill:

- Correction of a drafting error regarding disclosure of Securities and Exchange Commission and Public Company Accounting Oversight Board information at least every six months for mobility purposes
- Placing a 30 day timeframe on the requirement that practice privilege holders report pending criminal charges to the CBA
- Allow for the collection of email addresses from licensees
- Allow for the acceptance of experience in academia as qualifying for CPA licensure

Comments

The Senate Business, Professions and Economic Development (B&P) Committee accepted all four of the proposals with a change in wording for the email collection language (**Attachment 4**). There was a concern that the word "require" may prove

Update on Legislation on Which the CBA Has Taken a Position

Page 2 of 2

controversial as it could be seen as an imposition on licensees, especially those without an email address.

Staff explained the purpose for collecting the emails on paper applications was simply to complete a list that would be started through BreEZe and not to create any undue burden on licensees. With the explanation, the committee and caucus staff approved the attached language which ensured that it was not seen as a requirement.

Committee staff also asked that the language stating that email addresses could be disclosed as a part of a disciplinary or other administrative proceeding instituted by the CBA be removed. Their reason was they did not foresee a situation where a disciplinary proceeding would need to require an email address to be revealed.

Recommendation

Staff recommend approving the language in Attachment 4 with the changes made by the Senate B&P Committee.

Attachments

1. 2013-14 Legislative Tracking List
2. AB 186
3. SB 176
4. Email Collection Language



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Attachment 1

2013-14 Legislative Tracking List

Bill #	Author	Topic	Position	Status
AB 186	Maienschein	Temporary licenses	Support if Amended	Senate Business and Professions
AB 291	Nestande	California Sunset Review	Oppose	Failed Passage
AB 376	Donnelly	Regulations: Notice	Watch	Failed Passage
AB 1151	Ting	Tax Agent Registration	Oppose	Failed Passage
SB 176	Galgiani	Administrative Procedures	Support	Assembly Appropriations

AMENDED IN SENATE JUNE 24, 2013

AMENDED IN ASSEMBLY MAY 24, 2013

AMENDED IN ASSEMBLY APRIL 22, 2013

AMENDED IN ASSEMBLY APRIL 1, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 186

Introduced by Assembly Member Maienschein

(Principal coauthor: Assembly Member Hagman)

**(Coauthors: Assembly Members Chávez, Dahle, Donnelly,
Beth Gaines, Garcia, Grove, Harkey, Olsen, and Patterson, and
V. Manuel Pérez)**

(Coauthors: Senators Fuller and Huff)

January 28, 2013

An act to ~~amend~~ *add* Section ~~115.5~~ of *115.6* to 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, in addition to the expedited licensure provisions described above, establish a temporary licensure process for an applicant who holds a current license in another jurisdiction, as specified, 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. 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.

~~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, except as provided. 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~~

This 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. 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, upon request by a board, to furnish a full set of fingerprints for purposes of conducting the criminal background check.

This bill would prohibit a 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. 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 an applicant, upon request by a board, to furnish a full set of fingerprints for purposes of conducting a criminal background check.~~

This bill would authorize the immediate termination of any temporary license to practice medicine upon a finding that the temporary licenseholder failed to meet any of the requirements described above or provided substantively inaccurate information that would affect his or her eligibility for temporary licensure. The bill would, upon termination of the license, require the board to issue a notice of termination requiring the temporary licenseholder to immediately cease the practice of medicine upon receipt.

This bill would exclude from these provisions a board that has established a temporary licensing process before January 1, 2014.

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 115.6 is added to the Business and*
- 2 *Professions Code, to read:*
- 3 *115.6. (a) A board within the department shall, after*
- 4 *appropriate investigation, issue a temporary license to an applicant*
- 5 *if he or she meets the requirements set forth in subdivision (c). The*
- 6 *temporary license shall expire 12 months after issuance, upon*
- 7 *issuance of an expedited license pursuant to Section 115.5, or upon*
- 8 *denial of the application for expedited licensure by the board,*
- 9 *whichever occurs first.*

1 (b) The board may conduct an investigation of an applicant for
2 purposes of denying or revoking a temporary license issued
3 pursuant to this section. This investigation may include a criminal
4 background check.

5 (c) An applicant seeking a temporary license pursuant to this
6 section shall meet the following requirements:

7 (1) The applicant shall supply evidence satisfactory to the board
8 that the applicant is married to, or in a domestic partnership or
9 other legal union with, an active duty member of the Armed Forces
10 of the United States who is assigned to a duty station in this state
11 under official active duty military orders.

12 (2) The applicant shall hold a current license in another state,
13 district, or territory of the United States in the profession or
14 vocation for which he or she seeks a temporary license from the
15 board.

16 (3) The applicant shall submit an application to the board that
17 shall include a signed affidavit attesting to the fact that he or she
18 meets all of the requirements for the temporary license and that
19 the information submitted in the application is accurate, to the
20 best of his or her knowledge. The application shall also include
21 written verification from the applicant's original licensing
22 jurisdiction stating that the applicant's license is in good standing
23 in that jurisdiction.

24 (4) The applicant shall not have committed an act in any
25 jurisdiction that would have constituted grounds for denial,
26 suspension, or revocation of the license under this code at the time
27 the act was committed. A violation of this paragraph may be
28 grounds for the denial or revocation of a temporary license issued
29 by the board.

30 (5) The applicant shall not have been disciplined by a licensing
31 entity in another jurisdiction and shall not be the subject of an
32 unresolved complaint, review procedure, or disciplinary
33 proceeding conducted by a licensing entity in another jurisdiction.

34 (6) The applicant shall, upon request by a board, furnish a full
35 set of fingerprints for purposes of conducting a criminal
36 background check.

37 (d) A board may adopt regulations necessary to administer this
38 section.

39 (e) A temporary license issued pursuant to this section for the
40 practice of medicine may be immediately terminated upon a finding

1 *that the temporary licenseholder failed to meet any of the*
2 *requirements described in subdivision (c) or provided substantively*
3 *inaccurate information that would affect his or her eligibility for*
4 *temporary licensure. Upon termination of the temporary license,*
5 *the board shall issue a notice of termination that shall require the*
6 *temporary licenseholder to immediately cease the practice of*
7 *medicine upon receipt.*

8 *(f) This section shall not apply to a board that has established*
9 *a temporary licensing process before January 1, 2014.*

10 SECTION 1. ~~Section 115.5 of the Business and Professions~~
11 ~~Code is amended to read:~~

12 ~~115.5. (a) Except as provided in subdivision (d), a board within~~
13 ~~the department shall expedite the licensure process for an applicant~~
14 ~~who meets both of the following requirements:~~

15 ~~(1) Supplies evidence satisfactory to the board that the applicant~~
16 ~~is married to, or in a domestic partnership or other legal union~~
17 ~~with, an active duty member of the Armed Forces of the United~~
18 ~~States who is assigned to a duty station in this state under official~~
19 ~~active duty military orders.~~

20 ~~(2) Holds a current license in another state, district, or territory~~
21 ~~of the United States in the profession or vocation for which he or~~
22 ~~she seeks a license from the board.~~

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 the~~
28 ~~expedited license, or upon denial of the application for expedited~~
29 ~~licensure by the board, whichever occurs first.~~

30 ~~(2) The board may conduct an investigation of an applicant for~~
31 ~~purposes of denying or revoking a temporary license issued~~
32 ~~pursuant to this subdivision. This investigation may include a~~
33 ~~criminal background check.~~

34 ~~(3) (A) An applicant seeking a temporary license issued~~
35 ~~pursuant to this subdivision shall submit an application to the board~~
36 ~~which shall include a signed affidavit attesting to the fact that he~~
37 ~~or she meets all of the requirements for the temporary license and~~
38 ~~that the information submitted in the application is accurate, to the~~
39 ~~best of his or her knowledge. The application shall also include~~
40 ~~written verification from the applicant's original licensing~~

1 jurisdiction stating that the applicant's license is in good standing
2 in that jurisdiction.

3 (B) ~~The applicant shall not have committed an act in any~~
4 ~~jurisdiction that would have constituted grounds for denial,~~
5 ~~suspension, or revocation of the license under this code at the time~~
6 ~~the act was committed. A violation of this subparagraph may be~~
7 ~~grounds for the denial or revocation of a temporary license issued~~
8 ~~by the board.~~

9 (C) ~~The applicant shall not have been disciplined by a licensing~~
10 ~~entity in another jurisdiction and shall not be the subject of an~~
11 ~~unresolved complaint, review procedure, or disciplinary proceeding~~
12 ~~conducted by a licensing entity in another jurisdiction.~~

13 (D) ~~The applicant shall, upon request by a board, furnish a full~~
14 ~~set of fingerprints for purposes of conducting a criminal~~
15 ~~background check.~~

16 (e)

17 ~~A board may adopt regulations necessary to administer this~~
18 ~~section.~~

19 (d) ~~This section shall not apply to a board that has established~~
20 ~~a temporary licensing process before January 1, 2014.~~

AMENDED IN ASSEMBLY AUGUST 7, 2013

AMENDED IN ASSEMBLY JUNE 18, 2013

AMENDED IN SENATE MAY 28, 2013

AMENDED IN SENATE APRIL 24, 2013

SENATE BILL

No. 176

**Introduced by Senator Galgiani
(Coauthors: Senators Cannella and Correa)**

February 6, 2013

An act to amend Sections 11344.1, 11346, and 11346.45 of 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. Existing law specifically requires a state agency proposing to adopt regulations, prior to publication of a notice of proposed adoption, amendment, or repeal of a regulation, to involve parties who would be subject to the proposed regulations in public discussions regarding those proposed regulations, when the proposed regulations involve complex proposals or a large number of proposals that cannot easily be reviewed during the comment period. Existing law requires the office to provide for the publication of the California Regulatory Notice Register and to include specified information in the register, including notices of proposed action prepared

by regulatory agencies, a summary of regulations filed with the Secretary of State, and a summary of regulation decisions issued, as specified.

This bill would require the office to allow electronic submission to the office by a state agency of notices required to be published and information required to be submitted pursuant to specified provisions of existing law. The bill would also expand the public discussion requirement described above to require a state agency proposing to adopt regulations, prior to publication of a notice of proposed adoption, amendment, or repeal of a regulation, to involve parties that would be subject to the proposed regulations in public discussions regarding those proposed regulations, without regard to the complexity or number of proposals.

Existing law authorizes an agency that is considering adopting, amending, or repealing a regulation to consult with interested persons before initiating regulatory action.

This bill would instead require such an agency to *make a reasonable effort to consult with interested persons before who would be subject to the proposed regulation, or their representatives, prior to initiating regulatory action, as provided.*

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 11344.1 of the Government Code is
- 2 amended to read:
- 3 11344.1. The office shall do all of the following:
- 4 (a) Provide for the publication of the California Regulatory
- 5 Notice Register, which shall be an official publication of the State
- 6 of California and which shall contain the following:
- 7 (1) Notices of proposed action prepared by regulatory agencies,
- 8 subject to the notice requirements of this chapter, and which have
- 9 been approved by the office.
- 10 (2) A summary of all regulations filed with the Secretary of
- 11 State in the previous week.
- 12 (3) Summaries of all regulation decisions issued in the previous
- 13 week detailing the reasons for disapproval of a regulation, the
- 14 reasons for not filing an emergency regulation, and the reasons for
- 15 repealing an emergency regulation. The California Regulatory

1 Notice Register shall also include a quarterly index of regulation
2 decisions.

3 (4) Material that is required to be published under Sections
4 11349.5, 11349.7, and 11349.9.

5 (5) Determinations issued pursuant to Section 11340.5.

6 (b) Establish the publication dates and manner and form in
7 which the California Regulatory Notice Register shall be prepared
8 and published and ensure that it is published and distributed in a
9 timely manner to the presiding officer and rules committee of each
10 house of the Legislature and to all subscribers.

11 (c) Post on its Internet Web site, on a weekly basis:

12 (1) The California Regulatory Notice Register. Each issue of
13 the California Regulatory Notice Register on the office's Internet
14 Web site shall remain posted for a minimum of 18 months.

15 (2) One or more Internet links to assist the public to gain access
16 to the text of regulations proposed by state agencies.

17 (d) Permit a state agency to submit to the office as an electronic
18 communication, as defined in Section 11340.85, a notice required
19 to be published pursuant to subdivision (a) and Section 11346.4,
20 and the information required to be submitted to the office pursuant
21 to Sections 11346.2, 11346.9, and 11347.3.

22 SEC. 2. Section 11346 of the Government Code is amended
23 to read:

24 11346. (a) It is the purpose of this chapter to establish basic
25 minimum procedural requirements for the adoption, amendment,
26 or repeal of administrative regulations. Except as provided in
27 Section 11346.1, the provisions of this chapter are applicable to
28 the exercise of any quasi-legislative power conferred by any statute
29 heretofore or hereafter enacted, but nothing in this chapter repeals
30 or diminishes additional requirements imposed by any statute. This
31 chapter shall not be superseded or modified by any subsequent
32 legislation except to the extent that the legislation shall do so
33 expressly.

34 (b) (1) (A) An agency that is considering adopting, amending,
35 or repealing a regulation shall *make a reasonable effort to consult*
36 *with interested persons—before who would be subject to the*
37 *proposed regulation, or their representatives, prior* initiating
38 regulatory action pursuant to this article.

1 (B) An agency shall include in its rulemaking record a list of
2 interested persons, or their representatives, who were consulted
3 pursuant to subparagraph (A).

4 (2) If an agency does not or cannot comply with paragraph (1),
5 it shall state the reasons for noncompliance with reasonable
6 specificity in the rulemaking record.

7 SEC. 3. Section 11346.45 of the Government Code is amended
8 to read:

9 11346.45. (a) In order to increase public participation and
10 improve the quality of regulations, a state agency proposing to
11 adopt regulations, prior to publication of the notice required by
12 Section 11346.5, shall involve parties that would be subject to the
13 proposed regulations in public discussions regarding those
14 proposed regulations.

15 (b) This section does not apply to a state agency in any instance
16 where that state agency is required to implement federal law and
17 regulations for which there is little or no discretion on the part of
18 the state to vary.

19 (c) If the agency does not or cannot comply with subdivision
20 (a), it shall state the reasons for noncompliance with reasonable
21 specificity in the rulemaking record.

22 (d) This section shall not be subject to judicial review or to
23 Section 11349.1.

**DEPARTMENT OF CONSUMER AFFAIRS**

CALIFORNIA BOARD OF ACCOUNTANCY
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**Attachment 4****Email Collection Language****5070.**

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

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

(c) The board may collect, but not require, that a valid email address be provided at the time of application for a certified public accountant license. In the interests of protecting an applicant's privacy, the email address shall not be considered a public record and shall not be disclosed pursuant to Section 27 or pursuant to a request under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), unless required pursuant to a court order by a court of competent jurisdiction or disclosed as part of a disciplinary or other administrative proceeding instituted by the board.

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

5070.5.

(a) (1) A permit issued under this chapter to a certified public accountant or a public accountant expires at 12 midnight on the last day of the month of the legal birthday of the licensee during the second year of a two-year term if not renewed.

(2) To renew an unexpired permit, a permitholder shall, before the time at which the permit would otherwise expire, apply for renewal on a form prescribed by the board, pay the renewal fee prescribed by this chapter and give evidence satisfactory to the board that he or she has complied with the continuing education provisions of this chapter.

(3) The board may collect, but not require, that a valid email address be provided on the renewal form described in (a)(1). In the interests of protecting an applicant's privacy, the email address shall not be considered a public record and shall not be disclosed pursuant to Section 27 or pursuant to a request under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), unless required pursuant to a court order by a court of competent jurisdiction or disclosed as part of a disciplinary or other administrative proceeding instituted by the board.

(b) A permit to practice as an accountancy partnership or an accountancy corporation expires at 12 midnight on the last day of the month in which the permit was initially issued during the second year of a two-year term if not renewed. To renew an unexpired permit, the permitholder shall, before the time at which the permit would otherwise expire, apply for renewal on a form prescribed by the board, pay the renewal fee prescribed by this chapter, and provide evidence satisfactory to the board that the accountancy partnership or accountancy corporation is in compliance with this chapter.

**CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 1702**

Subject:	Professions and vocations: incarceration	Author:	Maienschein
Version:	February 13, 2014	Sponsor:	American Federation of State, County, and Municipal Employees
Status:	Assembly Business and Professions Committee		

Summary

Assembly Bill (AB) 1702 (**Attached**) states that a board or bureau within the Department of Consumer Affairs (DCA) shall not delay or deny a license solely based on an applicant's previous incarceration. Staff will recommend that the California Board of Accountancy (CBA) take a support position on the bill.

Background

Boards and bureaus within DCA are charged with licensing individuals who meet various established minimum entry-level requirements. Being convicted of a crime that is substantially related to the qualifications, functions, or duties of the profession or vocation is grounds for denial of a license.

Analysis

According to the author's office, there are DCA entities which have delayed, and even denied, licensure to individuals solely because they had previously been incarcerated. Prison employees have told the author that they see an increase in recidivism because of this. This has not occurred at the CBA. The CBA does not inquire about an individual's previous incarcerations, but rather, it asks about prior convictions. Each conviction, disclosed or discovered through fingerprinting, is evaluated to determine if it is substantially related to the practice of public accounting.

This bill would provide that an individual who meets the following criteria could not have their application for a license delayed or denied solely due to their previous status of incarceration:

- satisfy any of the licensure requirements while incarcerated,
- apply for a license following release, and
- be otherwise eligible for the license.

The bill does provide an exception in order to be consistent with existing law. That exception states that if the crime for which the individual was incarcerated is substantially related to the profession for which the individual is seeking licensure, the license may still be denied.

AB 1702

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Fiscal Estimate

None.

Recommendation

Support. The circumstances which led to this bill being proposed do not occur at the CBA. This bill would ensure the continued practice of evaluating applicants' prior convictions based on the substantial relationship of the crime to the profession.

Support/Opposition

Support: American Federation of State, County, and Municipal Employees

Opposition: None at this time

Effective/Operative Date

January 1, 2015

Related Bills

None.

Attachment

AB 1702

ASSEMBLY BILL**No. 1702**

Introduced by Assembly Member MaienscheinFebruary 13, 2014

An act to add Section 480.5 to the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1702, as introduced, Maienschein. Professions and vocations: incarceration.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs, among other entities. Existing law establishes various eligibility criteria needed to qualify for a license and authorizes a board to deny a license on the grounds that the applicant has been convicted of a crime substantially related to the qualifications, functions, or duties of the business or profession for which application is made.

This bill would provide that an individual who has satisfied any of the requirements needed to obtain a license while incarcerated, who applies for that license upon release from incarceration, and who is otherwise eligible for the license shall not be subject to a delay in processing the application or a denial of the license solely based on the prior incarceration, except when the incarceration was for a crime substantially related to the qualifications, functions, or duties of the business or profession.

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 480.5 is added to the Business and
2 Professions Code, to read:

3 480.5. (a) An individual who has satisfied any of the
4 requirements needed to obtain a license regulated under this code
5 while incarcerated, who applies for that license upon release from
6 incarceration, and who is otherwise eligible for the license shall
7 not be subject to a delay in processing his or her application or a
8 denial of the license solely based on the prior incarceration, except
9 as provided in Section 480.

10 (b) Nothing in this section shall be construed to apply to a
11 petition for reinstatement of a license.

12 (c) This section shall not apply to the licensure of individuals
13 under the initiative act referred to in Chapter 2 (commencing with
14 Section 1000) of Division 2.

O

**CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 2058**

Subject: Open meetings
Version: February 20, 2014
Status: Introduced

Author: Wilk
Sponsor: Author

Summary

Assembly Bill (AB) 2058 (**Attachment**) would require standing advisory committees, as defined, of less than three members to notice their meetings under the Bagley-Keene Open Meeting Act. Staff will recommend that the California Board of Accountancy (CBA) take an oppose position on the bill.

Background

Current law allows for advisory committees of fewer than three persons to discuss business without the need to give public notice of a meeting.

Analysis

AB 2058 would require that a standing advisory committee of less than three members publicly notice its meetings. A standing committee is one that has a continuing subject matter jurisdiction or has a meeting schedule fixed by a state body. According to the bill, a standing advisory committee's membership composition does not matter. In other words, appointing two members to meet one time, and then a different two members to meet on the same subject matter at a different time would still qualify as a standing committee.

The relevant portion of the bill is Government Code section 11121(c). The first part of that subsection discusses "multimember" advisory bodies. But the new part uses the phrase, "fewer than three individuals," and, "irrespective of their composition." When taken together these may nullify the initial "multimember" phrase and would appear to exclude even a single member from acting in an advisory body capacity without public notice.

This proposal, if interpreted as stated, could have the following effects on the CBA:

- The Enforcement Advisory Committee would have to publicly notice all of its Investigative Hearings (IH).
- The Qualifications Committee would have to publicly notice all of its CBA Regulation section 69 hearings (Section 69).
- The Peer Review Oversight Committee would have to publicly notice when it sends members to Report Acceptance Body (RAB) meetings and other Peer Review Committee meetings.
- The CBA, and all of its committees would have to give public notice anytime it asked fewer than three members to review a document, draft a letter, discuss any policy, or work on legal language.
- The CBA would not be able to send members on Legislative visits as it would not be possible to give public notice.
- The CBA would have to give public notice before having a member or members review applications for committee positions or the Executive Officer position.

AB 2058

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While many of the above situations, such as IH's, Section 69, RAB, and application review could and would be done in closed session, someone at the meeting, which must still be publicly noticed, must preside, open the meeting, enter into closed session, accept public comment, and adjourn; and someone else must be present to take minutes. Government Code section 11126.1 states that "a clerk or other officer or employee of the state body" must attend the meeting and take minutes. While there may be room for interpretation, this may mean that a CBA employee would have to travel to every one of the above named meetings to take minutes.

In addition, many of these meetings, are currently held in convenient places such as a member's office. Opening these meetings to the public, regardless of the expected attendance, may mean that space for such a meeting would need to be rented.

While implementation of AB 2058 may be possible by giving public notice for these meetings, it would mean that such meetings must be planned at a minimum of ten days in advance. This could be prohibitive when the CBA is faced with a tight deadline to send a letter on an exposure draft, for example. It would clearly affect the CBA's ability to visit the Legislature on CBA business.

The CBA may want to keep in mind that the objective of AB 2058 is to increase transparency in government.

Fiscal Estimate

The fiscal impact would depend on the final interpretation as to whether a staff member would need to travel to all of these additional meetings that would be created under this bill. It would also depend on the number of meeting locations that would be rented over the course of a year.

Recommendation

Oppose. While the CBA could comply with this bill, doing so would impede it in performing timely functions, would affect its spending, would eliminate legislative visits, and, in general, make performing its duty to protect the public more difficult. If it were to oppose AB 2058, the CBA may wish to include in its opposition letter a statement of support for the objective of transparency in government.

Support/Opposition

Support: None at this time

Opposition: None at this time

Effective/Operative Date

Urgency measure – Effective upon signature of the Governor.

Related Bills

None.

Attachment

AB 2058

ASSEMBLY BILL**No. 2058**

Introduced by Assembly Member Wilk
(Coauthor: Senator DeSaulnier)

February 20, 2014

An act to amend Section 11121 of the Government Code, relating to state government, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2058, as introduced, Wilk. Open meetings.

The Bagley-Keene Open Meeting Act requires that all meetings of a state body, as defined, be open and public and that all persons be permitted to attend and participate in any meeting of a state body, subject to certain conditions and exceptions.

This bill would modify the definition of “state body” to exclude an advisory body with less than 3 individuals, except for certain standing committees. This bill would also make legislative findings and declarations in this regard.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

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

1 SECTION 1. The Legislature finds and declares all of the
2 following:

1 (a) The unpublished decision of the Third District Court of
 2 Appeals in *Funeral Security Plans v. State Board of Funeral*
 3 *Directors* (1994) 28 Cal. App.4th 1470 is an accurate reflection of
 4 legislative intent with respect to the applicability of the
 5 Bagley-Keene Open Meeting Act (Article 9 (commencing with
 6 Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of
 7 the Government Code) (Bagley-Keene Act) to a two-member
 8 standing advisory committee of a state body. A two-member
 9 standing committee of a state body, even if operating solely in an
 10 advisory capacity, already is a “state body,” as defined in
 11 subdivision (d) of Section 11121 of the Government Code,
 12 irrespective of its size, if a member of the state body sits on the
 13 committee and the committee receives funds from the state body.
 14 For this type of two-member standing advisory committee, this
 15 bill is declaratory of existing law.

16 (b) A two-member standing committee of a state body, even if
 17 operating solely in an advisory capacity, already is a “state body,”
 18 as defined in subdivision (b) of Section 11121 of the Government
 19 Code, irrespective of its composition, if it exercises any authority
 20 of a state body delegated to it by that state body. For this type of
 21 two-member standing advisory committee, this bill is declaratory
 22 of existing law.

23 (c) All two-member standing advisory committees of a local
 24 body are subject to open meeting requirements under the Ralph
 25 M. Brown Act (Chapter 9 (commencing with Section 54950) of
 26 Part 1 of Division 2 of Title 5 of the Government Code) (Brown
 27 Act). It is the intent of the Legislature in this act to reconcile
 28 language in the Brown Act and Bagley-Keene Act with respect to
 29 all two-member standing advisory committees, including, but not
 30 limited to, those described in subdivisions (a) and (b).

31 SEC. 2. Section 11121 of the Government Code is amended
 32 to read:

33 11121. As used in this article, “state body” means each of the
 34 following:

35 (a) Every state board, or commission, or similar multimember
 36 body of the state that is created by statute or required by law to
 37 conduct official meetings and every commission created by
 38 executive order.

1 (b) A board, commission, committee, or similar multimember
2 body that exercises any authority of a state body delegated to it by
3 that state body.

4 (c) An advisory board, advisory commission, advisory
5 committee, advisory subcommittee, or similar multimember
6 advisory body of a state body, if created by formal action of the
7 state body or of any member of the state body, ~~and if the advisory~~
8 ~~body so created consists of three or more persons.~~ *Advisory bodies*
9 *created to consist of fewer than three individuals are not a state*
10 *body, except that standing committees of a state body, irrespective*
11 *of their composition, which have a continuing subject matter*
12 *jurisdiction, or a meeting schedule fixed by resolution, policies,*
13 *bylaws, or formal action of a state body are state bodies for the*
14 *purposes of this chapter.*

15 (d) A board, commission, committee, or similar multimember
16 body on which a member of a body that is a state body pursuant
17 to this section serves in his or her official capacity as a
18 representative of that state body and that is supported, in whole or
19 in part, by funds provided by the state body, whether the
20 multimember body is organized and operated by the state body or
21 by a private corporation.

22 SEC. 3. This act is an urgency statute necessary for the
23 immediate preservation of the public peace, health, or safety within
24 the meaning of Article IV of the Constitution and shall go into
25 immediate effect. The facts constituting the necessity are:

26 In order to avoid unnecessary litigation and ensure the people's
27 right to access of the meetings of public bodies pursuant to Section
28 3 of Article 1 of the California Constitution, it is necessary that
29 act take effect immediately.

**CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 2147**

Subject:	Privacy: personal information: agency disclosure	Author:	Melendez
Version:	February 20, 2014	Sponsor:	Author
Status:	Introduced		

Summary

Assembly Bill (AB) 2147 (**Attachment 1**) would require agencies to obtain prior written consent before releasing personal information to an independent contractor or anyone who is not an agency employee. Staff will recommend that the California Board of Accountancy (CBA) take a support if amended position on the bill.

Background

Existing law establishes several protections for personal information that is collected by agencies in order to protect the privacy of individuals. While the law prohibits agencies from disclosing information in a manner in which it could be linked to the individual to whom it pertains, current law allows agencies to disclose or transfer personal information to agency employees for work related purposes.

Analysis

This bill would clarify that an independent contractor, or other workers who are not agency employees, cannot be considered agency employees for the purposes of disclosing personal information. In order for an agency to disclose or transfer personal information to another person, the individual must voluntarily sign a prior consent to allow their information to be disclosed or transferred.

If this bill were to become law, it would affect the way the CBA handles certain enforcement cases. CBA Regulation section 52(a) reads as follows:

A licensee shall respond to any inquiry by the Board or its appointed representatives within 30 days. The response shall include making available all files, working papers and other documents requested.

In addition, CBA Regulation section 54.1(a) states in part:

No confidential information obtained by a licensee, in his or her professional capacity, concerning a client or a prospective client shall be disclosed by the licensee without the written permission of the client or prospective client, except for the following: ...disclosures made by a licensee in response to an official inquiry from a federal or state government regulatory agency;...

Together, these two provisions mean that the CBA has the authority to compel a licensee to provide information that is of a confidential nature to the CBA, provided there is an active investigation. Occasionally, the Enforcement Division utilizes the services of outside consultants in matters where the subject requires certain expert knowledge.

AB 2147

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If AB 2147 were to become law as written, staff would not be able to provide these outside consultants tax returns or audit work papers without first redacting all personal or private information or obtaining approval from the consumer. The task of redaction would be arduous at best, as the licensee under investigation will often provide thousands of pages of records to the CBA via electronic media. Staff would have to review each and every page to ensure there is no personal information, or risk violating the law as proposed by AB 2147. Obtaining a records release from the consumer is also difficult, as they often do not know the licensee is under investigation.

Staff have already discussed this matter with the author's office. It was not the author's intent to hamper enforcement or investigations, and she is willing to work with the CBA to develop amendments to address these concerns. Staff have drafted amendments (**Attachment 2**) which will exempt CBA enforcement contracts from AB 2147. There are two sections of the Business and Professions Code (BPC) that grant the CBA authority to contract with expert consultants for enforcement purposes. BPC section 40 provides this authority to all Department of Consumer Affairs boards, and BPC section 5025.1 is the CBA's specific authority to do so. The proposed amendments create an exception in both cases to ensure that the CBA is allowed to continue handling enforcement cases utilizing these expert consultants.

Fiscal Estimate

None.

Recommendation

Support if Amended. While the intent of the bill is good for privacy, if this bill were to become law as written, it would hamper the CBA Enforcement Division's use of expert consultants.

Support/Opposition

Support: None at this time

Opposition: None at this time

Effective/Operative Date

January 1, 2015

Related Bills

None.

Attachments

1. AB 2147
2. Proposed Amendments to AB 2147

ASSEMBLY BILL**No. 2147****Introduced by Assembly Member Melendez**

February 20, 2014

An act to amend Section 1798.24 of the Civil Code, relating to the right to privacy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2147, as introduced, Melendez. Privacy: personal information: agency disclosure.

Existing law outlines the procedures for agencies to follow in the collection, maintenance, and dissemination of personal information, as defined, in order to protect the privacy of individuals. Existing law prohibits an agency from disclosing any personal information in a manner that would link the information disclosed to the individual to whom it pertains, with specified exceptions.

This bill would, with regard to specified disclosures of personal information, require agencies to obtain prior written voluntary consent of the individual before releasing the personal information to an independent contractor or other worker who is not an agency employee or to a natural person or corporation, partnership, limited liability company, firm, association, or other nongovernment entity.

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 1798.24 of the Civil Code is amended
- 2 to read:

1 1798.24. No agency may disclose any personal information in
2 a manner that would link the information disclosed to the individual
3 to whom it pertains unless the information is disclosed, as follows:

4 (a) To the individual to whom the information pertains.

5 (b) With the prior written voluntary consent of the individual
6 to whom the record pertains, but only if that consent has been
7 obtained not more than 30 days before the disclosure, or in the
8 time limit agreed to by the individual in the written consent.

9 (c) To the duly appointed guardian or conservator of the
10 individual or a person representing the individual if it can be proven
11 with reasonable certainty through the possession of agency forms,
12 documents or correspondence that this person is the authorized
13 representative of the individual to whom the information pertains.

14 (d) To those officers, employees, attorneys, agents, or volunteers
15 of the agency that has custody of the information if the disclosure
16 is relevant and necessary in the ordinary course of the performance
17 of their official duties and is related to the purpose for which the
18 information was acquired, *except personal information may be*
19 *disclosed to an independent contractor or other worker who is not*
20 *an agency employee only with prior written voluntary consent of*
21 *the individual pursuant to subdivision (b).*

22 (e) To a person, or to another agency where the transfer is
23 necessary for the transferee agency to perform its constitutional
24 or statutory duties, and the use is compatible with a purpose for
25 which the information was collected and the use or transfer is
26 accounted for in accordance with Section 1798.25. ~~With~~ *For*
27 *information transferred pursuant to this subdivision the following*
28 *shall apply:*

29 (1) *With* respect to information transferred from a law
30 enforcement or regulatory agency, or information transferred to
31 another law enforcement or regulatory agency, a use is compatible
32 if the use of the information requested is needed in an investigation
33 of unlawful activity under the jurisdiction of the requesting agency
34 or for licensing, certification, or regulatory purposes by that agency.

35 (2) *With respect to information transferred to a natural person*
36 *or a person that is a corporation, partnership, limited liability*
37 *company, firm, association, or other nongovernment entity,*
38 *personal information may be disclosed only with prior written*
39 *voluntary consent of the individual pursuant to subdivision (b).*

1 (f) To a governmental entity when required by state or federal
2 law.

3 (g) Pursuant to the California Public Records Act (Chapter 3.5
4 (commencing with Section 6250) of Division 7 of Title 1 of the
5 Government Code).

6 (h) To a person who has provided the agency with advance,
7 adequate written assurance that the information will be used solely
8 for statistical research or reporting purposes, but only if the
9 information to be disclosed is in a form that will not identify any
10 individual.

11 (i) Pursuant to a determination by the agency that maintains
12 information that compelling circumstances exist that affect the
13 health or safety of an individual, if upon the disclosure notification
14 is transmitted to the individual to whom the information pertains
15 at his or her last known address. Disclosure shall not be made if
16 it is in conflict with other state or federal laws.

17 (j) To the State Archives as a record that has sufficient historical
18 or other value to warrant its continued preservation by the
19 California state government, or for evaluation by the Director of
20 General Services or his or her designee to determine whether the
21 record has further administrative, legal, or fiscal value.

22 (k) To any person pursuant to a subpoena, court order, or other
23 compulsory legal process if, before the disclosure, the agency
24 reasonably attempts to notify the individual to whom the record
25 pertains, and if the notification is not prohibited by law.

26 (l) To any person pursuant to a search warrant.

27 (m) Pursuant to Article 3 (commencing with Section 1800) of
28 Chapter 1 of Division 2 of the Vehicle Code.

29 (n) For the sole purpose of verifying and paying government
30 health care service claims made pursuant to Division 9
31 (commencing with Section 10000) of the Welfare and Institutions
32 Code.

33 (o) To a law enforcement or regulatory agency when required
34 for an investigation of unlawful activity or for licensing,
35 certification, or regulatory purposes, unless the disclosure is
36 otherwise prohibited by law.

37 (p) To another person or governmental organization to the extent
38 necessary to obtain information from the person or governmental
39 organization as necessary for an investigation by the agency of a

1 failure to comply with a specific state law that the agency is
2 responsible for enforcing.

3 (q) To an adopted person and is limited to general background
4 information pertaining to the adopted person's natural parents,
5 provided that the information does not include or reveal the identity
6 of the natural parents.

7 (r) To a child or a grandchild of an adopted person and
8 disclosure is limited to medically necessary information pertaining
9 to the adopted person's natural parents. However, the information,
10 or the process for obtaining the information, shall not include or
11 reveal the identity of the natural parents. The State Department of
12 Social Services shall adopt regulations governing the release of
13 information pursuant to this subdivision by July 1, 1985. The
14 regulations shall require licensed adoption agencies to provide the
15 same services provided by the department as established by this
16 subdivision.

17 (s) To a committee of the Legislature or to a Member of the
18 Legislature, or his or her staff when authorized in writing by the
19 member, where the member has permission to obtain the
20 information from the individual to whom it pertains or where the
21 member provides reasonable assurance that he or she is acting on
22 behalf of the individual.

23 (t) (1) To the University of California, a nonprofit educational
24 institution, or, in the case of education-related data, another
25 nonprofit entity, conducting scientific research, provided the
26 request for information is approved by the Committee for the
27 Protection of Human Subjects (CPHS) for the California Health
28 and Human Services Agency (CHHSA) or an institutional review
29 board, as authorized in paragraphs (4) and (5). The approval
30 required under this subdivision shall include a review and
31 determination that all the following criteria have been satisfied:

32 (A) The researcher has provided a plan sufficient to protect
33 personal information from improper use and disclosures, including
34 sufficient administrative, physical, and technical safeguards to
35 protect personal information from reasonable anticipated threats
36 to the security or confidentiality of the information.

37 (B) The researcher has provided a sufficient plan to destroy or
38 return all personal information as soon as it is no longer needed
39 for the research project, unless the researcher has demonstrated
40 an ongoing need for the personal information for the research

1 project and has provided a long-term plan sufficient to protect the
2 confidentiality of that information.

3 (C) The researcher has provided sufficient written assurances
4 that the personal information will not be reused or disclosed to
5 any other person or entity, or used in any manner, not approved
6 in the research protocol, except as required by law or for authorized
7 oversight of the research project.

8 (2) The CPHS or institutional review board shall, at a minimum,
9 accomplish all of the following as part of its review and approval
10 of the research project for the purpose of protecting personal
11 information held in agency databases:

12 (A) Determine whether the requested personal information is
13 needed to conduct the research.

14 (B) Permit access to personal information only if it is needed
15 for the research project.

16 (C) Permit access only to the minimum necessary personal
17 information needed for the research project.

18 (D) Require the assignment of unique subject codes that are not
19 derived from personal information in lieu of social security
20 numbers if the research can still be conducted without social
21 security numbers.

22 (E) If feasible, and if cost, time, and technical expertise permit,
23 require the agency to conduct a portion of the data processing for
24 the researcher to minimize the release of personal information.

25 (3) Reasonable costs to the agency associated with the agency's
26 process of protecting personal information under the conditions
27 of CPHS approval may be billed to the researcher, including, but
28 not limited to, the agency's costs for conducting a portion of the
29 data processing for the researcher, removing personal information,
30 encrypting or otherwise securing personal information, or assigning
31 subject codes.

32 (4) The CPHS may enter into written agreements to enable other
33 institutional review boards to provide the data security approvals
34 required by this subdivision, provided the data security
35 requirements set forth in this subdivision are satisfied.

36 (5) Pursuant to paragraph (4), the CPHS shall enter into a written
37 agreement with the institutional review board established pursuant
38 to Section 49079.5 of the Education Code. The agreement shall
39 authorize, commencing July 1, 2010, or the date upon which the
40 written agreement is executed, whichever is later, that board to

1 provide the data security approvals required by this subdivision,
2 provided the data security requirements set forth in this subdivision
3 and the act specified in paragraph (1) of subdivision (a) of Section
4 49079.5 are satisfied.

5 (u) To an insurer if authorized by Chapter 5 (commencing with
6 Section 10900) of Division 4 of the Vehicle Code.

7 (v) Pursuant to Section 280, 282, 8009, or 18396 of the Financial
8 Code.

9 This article shall not be construed to require the disclosure of
10 personal information to the individual to whom the information
11 pertains when that information may otherwise be withheld as set
12 forth in Section 1798.40.

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**Attachment 2****Proposed Amendments to AB 2147**

Section 40 provided for reference:

40.

(a) Subject to the standards described in Section 19130 of the Government Code, any board, as defined in Section 22, the State Board of Chiropractic Examiners, or the Osteopathic Medical Board of California may enter into an agreement with an expert consultant to do any of the following:

- (1) Provide an expert opinion on enforcement-related matters, including providing testimony at an administrative hearing.
- (2) Assist the board as a subject matter expert in examination development, examination validation, or occupational analyses.
- (3) Evaluate the mental or physical health of a licensee or an applicant for a license as may be necessary to protect the public health and safety.

(b) An executed contract between a board and an expert consultant shall be exempt from the provisions of Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code.

(c) Each board shall establish policies and procedures for the selection and use of expert consultants.

(d) Nothing in this section shall be construed to expand the scope of practice of an expert consultant providing services pursuant to this section.

Add Section 40.1 to the Business and Professions Code as follows:

40.1

Notwithstanding Civil Code section 1798.24, any board that enters into a contract with an expert consultant pursuant to section 40(a)(1) shall be permitted to disclose and transfer personal information to such an expert consultant if the disclosure or transfer is relevant and necessary in the ordinary course of the performance of their official duties for which they were contracted and is related to the purpose for which the information was acquired.

Amend Section 5025.1 of the Business and Professions Code as follows:

5025.1

(a) The board may contract with and employ certified public accountants and public accountants as consultants and experts to assist in the investigation and prosecution of judicial and administrative matters.

(b) Contracts made pursuant to this section are not subject to Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code, except that the board shall apply the standards set forth in Section 19130 in awarding personal service contracts under this section.

(c) Notwithstanding any other provision of law, the board may contract with these consultants and experts on a sole source basis.

(d) If a person, not a regular employee of the board, is hired or under contract to provide expertise to the board in the evaluation of the conduct of a licensee, and that person is named as a defendant in a civil action for defamation, tortious interference with prospective business advantage, or other civil causes of action directly resulting from opinions rendered, statements made, or testimony given to the board, its committees, staff, legal counsel, or other representatives, or in any proceeding instituted by the board or to which the board is a party, the board shall provide for representation required to defend that person in that civil action and shall indemnify that person for any judgment rendered against him or her. This right of defense and indemnification shall be the same as, and no greater than, the right provided to a public employee pursuant to Section 825 of the Government Code. Nothing herein shall be construed as expanding or limiting any immunity from liability otherwise provided by law.

(e) Notwithstanding Civil Code section 1798.24, the board, when it enters into a contract with an expert consultant pursuant to this section, shall be permitted to disclose and transfer personal information to such an expert consultant if the disclosure or transfer is relevant and necessary in the ordinary course of the performance of their official duties for which they were contracted and is related to the purpose for which the information was acquired.

~~(e)~~ (f) On or before June 1 of each year, the board shall report to the appropriate policy and fiscal committees of each house of the Legislature the terms of the contract or contracts entered into each fiscal year pursuant to this section. The report shall include the cost, services, terms and duration provided under each contract, the identity of the firms or individuals awarded any contract, and data demonstrating the cost effectiveness of the board's sole-source contracting in the investigation and prosecution of the board's enforcement programs.

**CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 2165**

Subject: Professions and vocations: licenses	Author: Patterson
Version: February 20, 2014	Sponsor: Author
Status: Introduced	

Summary

Assembly Bill (AB) 2165 would require a Department of Consumer Affairs (DCA) board or bureau to complete the application review process and issue a license to those who qualify within 45 days of the filing of the application. It would also require any required licensing exams be given a minimum of six times per year. Staff will recommend that the California Board of Accountancy (CBA) take a neutral if amended position on the bill.

Background

Boards within DCA issue licenses to practice professions and vocations to applicants who meet certain minimum entry-level qualifications for licensure, including examinations.

Analysis

According to the author's office, several DCA boards seem to have excessive timeframes for review of an application and issuance of a license. The office cited timeframes exceeding 14 weeks in some cases. In addition, the author's office cited the lack of availability of examinations from many boards as an impediment to licensing qualified applicants.

AB 2165 (**Attachment 1**) would require that, once an application is filed, the board has 45 days to review the application and, if the applicant meets the qualifications, issue the license. In addition, the board must offer all examinations required for licensure a minimum of six times per year.

There are three potential issues with this proposal that the CBA may wish to ask the author to address.

First, the bill should be clear that the 45 day timeframe does not begin until all supporting documents are received. It does not currently address incomplete applications or supporting documents. Applications are frequently received without supporting documentation such as fingerprints, experience verification forms, or transcripts. Many of these are provided by third parties which neither the CBA nor the applicant have control over when they arrive.

Second, the CBA and several other boards do not require payment of the initial licensing fee until an application has been approved. The CBA cannot issue a license until that payment has been received. This makes the 45 day timeframe to both review the application and issue the license dependent on the applicant paying immediately upon receiving approval. As the CBA has no control over when the payment is received, the bill needs to allow for those boards with a bifurcated licensure process to be able to comply with the law.

Finally, the CBA utilizes the American Institute of Certified Public Accountants' Uniform Certified Public Accountant Examination. While the CBA utilizes this national exam, it does not set up its content, security or frequency of administration. It is given during four annual testing windows, and while an individual can sit for various parts of the exam at different times that may exceed six total sittings, an individual cannot take the complete exam more than four times per year. This would not meet what appears to be the author's intent. The ethics exam is currently available more than six times per year.

Staff have prepared draft amendments (**Attachment 2**) that would address these three concerns. The amendments would do the following:

- Require that the application and all supporting documents be submitted in order to begin the 45 day timeframe;
- Require, within that 45 days, a board to complete the application review and either provide notice of deficiencies or approve the application; and,
- Exempt national examinations from the six minimum yearly administrations requirement.

While the author's intention of speeding up the licensure process for applicants is commendable, doing so has the potential to cause some boards and bureaus to rush an application review in order to meet this deadline. This could potentially harm consumers which violates the boards' and DCA's primary charge.

Fiscal Estimate

As written, there could be significant and major costs associated with meeting the 45 day timeframe and creating and administering a California-only licensing exam that could be offered at least six times per year throughout California.

Recommendation

Neutral If Amended. As written, this bill has several problems, and the CBA would have significant obstacles to overcome in complying with this law. As proposed to be amended, the bill would have little impact on the CBA; however, several other DCA boards may still have major concerns with the 45 day processing timeframe.

Support/Opposition

Support: None at this time

Opposition: None at this time

Effective/Operative Date

January 1, 2015

Related Bills

None.

Attachments

1. AB 2165
2. Proposed Amendments to AB 2165

ASSEMBLY BILL**No. 2165**

Introduced by Assembly Member PattersonFebruary 20, 2014

An act to add Section 101.8 to the Business and Professions Code, relating to licensing.

LEGISLATIVE COUNSEL'S DIGEST

AB 2165, as introduced, Patterson. Professions and vocations: licenses.

Under existing law, boards within the Department of Consumer Affairs license and regulate persons practicing various healing arts, professions, vocations, and businesses. Existing law requires these boards to establish eligibility and application requirements, including examinations, to license, certificate, or register each applicant who successfully satisfies applicable requirements.

This bill would require each board to complete within 45 days the application review process with respect to each person who has filed with the board an application for issuance of a license, and to issue, within that 45 days, a license to an applicant who successfully satisfied all licensure requirements. The bill also requires each board to offer each examination the board provides for the applicant's passage of which is required for licensure, a minimum of 6 times per year.

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 101.8 is added to the Business and
2 Professions Code, to read:

3 101.8. (a) Notwithstanding any other law, every board, as
4 defined in Section 22, within 45 days following the filing date of
5 an application with the board for issuance of a license, as defined
6 in Section 23.7, to engage in the business or profession regulated
7 by that board, the board shall do both of the following:

8 (1) Complete the application review process.

9 (2) If the applicant has satisfied all of the requirements for
10 licensure under the applicable licensing act, issue the applicant the
11 applicable license.

12 (b) Every board that offers an examination that an applicant is
13 required to complete successfully for licensure, shall offer that
14 examination a minimum of six times per year.

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**Attachment 2****Proposed Amendments to AB 2165**

Section 101.8 is added to the Business and Professions Code, to read:

101.8. (a) Notwithstanding any other law, every board, as defined in Section 22, within 45 days following the filing date of an application with the board for issuance of a license, as defined in Section 23.7, to engage in the business or profession regulated by that board, and board receipt of all documents supporting the application, the board shall complete its review of the application and either: ~~do both of the following:~~

(1) ~~Complete the application review process.~~ Provide notice to the applicant of any deficiencies identified with the application, supporting documents, or both, or

(2) If the applicant has satisfied all of the requirements for licensure under the applicable licensing act, approve the application for the issuance of the license. ~~approve the applicant the applicable license.~~

(b) Every board that offers an examination that an applicant is required to complete successfully for licensure, shall offer that examination a minimum of six times per year, unless the board uses a national exam.

**CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 2507**

Subject:	Public Records Act: exemptions: pending litigation	Author:	Bocanegra
Version:	February 21, 2014	Sponsor:	Author
Status:	Introduced		

Summary

Assembly Bill (AB) 2507 (**Attached**) would exempt a public agency attorney billing records from disclosure during litigation. Staff will recommend that the California Board of Accountancy (CBA) take a support position on the bill.

Background

The California Public Records Act (PRA) requires public agencies to make public records available upon request unless that record is exempted in law. Current law exempts records pertaining to pending litigation to which the public agency is a party until the litigation is finally adjudicated or settled.

Analysis

According to the legislative findings in the bill, current law exempting records pertaining to pending litigation needs to be clarified. This bill would clarify that the existing exemption in the PRA includes attorneys' invoices, billing statements, and requests for payment. The code section this amendment is in is rather long, but the amendment is marked on page three of the attachment.

In addition, the legislative findings state that the purpose for this exemption is to prevent opposing litigants from using the PRA to secure earlier or greater access to records than would otherwise be available through the rules of civil discovery. The potential disclosure of billing records could be damaging to the legal interests of public agencies as it may reveal significant strategic facts to the opposing litigant.

Fiscal Estimate

None.

Recommendation

Support. As stated in the Legislative declaration at the end of the bill, the potential disclosure of billing records could be damaging to the legal interests of public agencies as it may reveal significant strategic facts to the opposing litigant.

Support/Opposition

Support: None at this time

Opposition: None at this time

Effective/Operative Date

January 1, 2015

Related Bills

None

Attachment

AB 2507

ASSEMBLY BILL**No. 2507**

Introduced by Assembly Member BocanegraFebruary 21, 2014

An act to amend Section 6254 of the Government Code, relating to public records.

LEGISLATIVE COUNSEL'S DIGEST

AB 2507, as introduced, Bocanegra. Public Records Act: exemptions: pending litigation.

Existing law, the California Public Records Act (CPRA), requires state and local agencies to make public records available upon receipt of a request that reasonably describes an identifiable record not otherwise exempt from disclosure, upon the payment of fees to cover costs.

Existing law exempts from the CPRA's disclosure requirements any records pertaining to pending litigation to which the public agency is a party, until the pending litigation or claim has been finally adjudicated or otherwise settled.

This bill would provide that public agency attorney billing records, when they are prepared in connection with pending litigation, are exempt from the CPRA's disclosure provisions during the pendency of the litigation.

Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

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

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

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (1) Interpretation of the California Public Records Act is a matter
4 of great significance to public entities across the state. Public
5 entities and public employees necessarily participate in litigation
6 on an ongoing basis as part of conducting the public's business. It
7 is therefore vital that clear guidelines be established with respect
8 to the application of the act as it relates to pending litigation.

9 (2) Public entities must often retain outside counsel to prosecute
10 and defend actions in the public's interest. Public entities
11 throughout the state have a strong interest in having clear guidelines
12 established concerning records pertaining to pending litigation
13 generated by outside counsel.

14 (3) Without clarification, every public entity in the state is
15 subject to ongoing requests for attorneys' invoices, billing
16 statements, and cost amounts in pending cases that result in
17 increased administrative costs and compromise the defense and
18 prosecution of public actions.

19 (4) The right of the public to access records pertaining to
20 pending litigation will not be affected, as any such records,
21 notwithstanding any other provision of law, are not exempt from
22 disclosure under law upon final adjudication or settlement.

23 (5) It is necessary for a state and local agency to withhold certain
24 records from public disclosure to permit that agency to properly
25 perform their governmental functions, including their ability to
26 prosecute and defend themselves in public actions.

27 (6) The pending litigation exemption is designed to prevent a
28 litigant opposing a governmental entity from using the act to secure
29 earlier or greater access to records than would be then would be
30 otherwise available under the rules of civil discovery.

31 (7) There is a public interest in the disclosure of the resources
32 and funds expended in litigation involving a public entity. There
33 is, however, no public interest to be served in disclosing that
34 information, particularly attorneys' invoices, billing statements,

1 and cost amounts while litigation is pending against the public
2 entity.

3 (8) Disclosing such information to a public entity's adversary
4 in litigation will have the negative impact of also disclosing how
5 the public entity is utilizing its resources on a particular case while
6 it is pending, and thus revealing an entity's case valuation and
7 strategy. This will unbalance the scales of justice and prejudice
8 the public entity in settlement negotiations and trial.

9 (9) Information about attorneys' invoices, billing statements,
10 and cost amounts in the course of ongoing pending litigation
11 affords litigants opposing a public entity a tactical insight to exploit
12 for purposes of accelerating litigation at a particular point,
13 prolonging litigation, or timing a settlement demand and puts the
14 public entity at a disadvantage that the litigation exemption was
15 designed to prevent.

16 SEC. 2. Section 6254 of the Government Code is amended to
17 read:

18 6254. Except as provided in Sections 6254.7 and 6254.13,
19 nothing in this chapter shall be construed to require disclosure of
20 records that are any of the following:

21 (a) Preliminary drafts, notes, or interagency or intra-agency
22 memoranda that are not retained by the public agency in the
23 ordinary course of business, if the public interest in withholding
24 those records clearly outweighs the public interest in disclosure.

25 (b) Records pertaining to pending litigation to which the public
26 agency is a party, *including attorneys' invoices, billing statements,*
27 *and requests for payment,* or to claims made pursuant to Division
28 3.6 (commencing with Section 810), until the pending litigation
29 or claim has been finally adjudicated or otherwise settled.

30 (c) Personnel, medical, or similar files, the disclosure of which
31 would constitute an unwarranted invasion of personal privacy.

32 (d) Contained in or related to any of the following:

33 (1) Applications filed with any state agency responsible for the
34 regulation or supervision of the issuance of securities or of financial
35 institutions, including, but not limited to, banks, savings and loan
36 associations, industrial loan companies, credit unions, and
37 insurance companies.

38 (2) Examination, operating, or condition reports prepared by,
39 on behalf of, or for the use of, any state agency referred to in
40 paragraph (1).

1 (3) Preliminary drafts, notes, or interagency or intra-agency
2 communications prepared by, on behalf of, or for the use of, any
3 state agency referred to in paragraph (1).

4 (4) Information received in confidence by any state agency
5 referred to in paragraph (1).

6 (e) Geological and geophysical data, plant production data, and
7 similar information relating to utility systems development, or
8 market or crop reports, that are obtained in confidence from any
9 person.

10 (f) Records of complaints to, or investigations conducted by,
11 or records of intelligence information or security procedures of,
12 the office of the Attorney General and the Department of Justice,
13 the Office of Emergency Services and any state or local police
14 agency, or any investigatory or security files compiled by any other
15 state or local police agency, or any investigatory or security files
16 compiled by any other state or local agency for correctional, law
17 enforcement, or licensing purposes. However, state and local law
18 enforcement agencies shall disclose the names and addresses of
19 persons involved in, or witnesses other than confidential informants
20 to, the incident, the description of any property involved, the date,
21 time, and location of the incident, all diagrams, statements of the
22 parties involved in the incident, the statements of all witnesses,
23 other than confidential informants, to the victims of an incident,
24 or an authorized representative thereof, an insurance carrier against
25 which a claim has been or might be made, and any person suffering
26 bodily injury or property damage or loss, as the result of the
27 incident caused by arson, burglary, fire, explosion, larceny,
28 robbery, carjacking, vandalism, vehicle theft, or a crime as defined
29 by subdivision (b) of Section 13951, unless the disclosure would
30 endanger the safety of a witness or other person involved in the
31 investigation, or unless disclosure would endanger the successful
32 completion of the investigation or a related investigation. However,
33 nothing in this division shall require the disclosure of that portion
34 of those investigative files that reflects the analysis or conclusions
35 of the investigating officer.

36 Customer lists provided to a state or local police agency by an
37 alarm or security company at the request of the agency shall be
38 construed to be records subject to this subdivision.

39 Notwithstanding any other provision of this subdivision, state
40 and local law enforcement agencies shall make public the following

1 information, except to the extent that disclosure of a particular
2 item of information would endanger the safety of a person involved
3 in an investigation or would endanger the successful completion
4 of the investigation or a related investigation:

5 (1) The full name and occupation of every individual arrested
6 by the agency, the individual's physical description including date
7 of birth, color of eyes and hair, sex, height and weight, the time
8 and date of arrest, the time and date of booking, the location of
9 the arrest, the factual circumstances surrounding the arrest, the
10 amount of bail set, the time and manner of release or the location
11 where the individual is currently being held, and all charges the
12 individual is being held upon, including any outstanding warrants
13 from other jurisdictions and parole or probation holds.

14 (2) Subject to the restrictions imposed by Section 841.5 of the
15 Penal Code, the time, substance, and location of all complaints or
16 requests for assistance received by the agency and the time and
17 nature of the response thereto, including, to the extent the
18 information regarding crimes alleged or committed or any other
19 incident investigated is recorded, the time, date, and location of
20 occurrence, the time and date of the report, the name and age of
21 the victim, the factual circumstances surrounding the crime or
22 incident, and a general description of any injuries, property, or
23 weapons involved. The name of a victim of any crime defined by
24 Section 220, 236.1, 261, 261.5, 262, 264, 264.1, 265, 266, 266a,
25 266b, 266c, 266e, 266f, 266j, 267, 269, 273a, 273d, 273.5, 285,
26 286, 288, 288a, 288.2, 288.3 (as added by Chapter 337 of the
27 Statutes of 2006), 288.3 (as added by Section 6 of Proposition 83
28 of the November 7, 2006, statewide general election), 288.5, 288.7,
29 289, 422.6, 422.7, 422.75, 646.9, or 647.6 of the Penal Code may
30 be withheld at the victim's request, or at the request of the victim's
31 parent or guardian if the victim is a minor. When a person is the
32 victim of more than one crime, information disclosing that the
33 person is a victim of a crime defined in any of the sections of the
34 Penal Code set forth in this subdivision may be deleted at the
35 request of the victim, or the victim's parent or guardian if the
36 victim is a minor, in making the report of the crime, or of any
37 crime or incident accompanying the crime, available to the public
38 in compliance with the requirements of this paragraph.

39 (3) Subject to the restrictions of Section 841.5 of the Penal Code
40 and this subdivision, the current address of every individual

1 arrested by the agency and the current address of the victim of a
2 crime, where the requester declares under penalty of perjury that
3 the request is made for a scholarly, journalistic, political, or
4 governmental purpose, or that the request is made for investigation
5 purposes by a licensed private investigator as described in Chapter
6 11.3 (commencing with Section 7512) of Division 3 of the Business
7 and Professions Code. However, the address of the victim of any
8 crime defined by Section 220, 236.1, 261, 261.5, 262, 264, 264.1,
9 265, 266, 266a, 266b, 266c, 266e, 266f, 266j, 267, 269, 273a,
10 273d, 273.5, 285, 286, 288, 288a, 288.2, 288.3 (as added by
11 Chapter 337 of the Statutes of 2006), 288.3 (as added by Section
12 6 of Proposition 83 of the November 7, 2006, statewide general
13 election), 288.5, 288.7, 289, 422.6, 422.7, 422.75, 646.9, or 647.6
14 of the Penal Code shall remain confidential. Address information
15 obtained pursuant to this paragraph may not be used directly or
16 indirectly, or furnished to another, to sell a product or service to
17 any individual or group of individuals, and the requester shall
18 execute a declaration to that effect under penalty of perjury.
19 Nothing in this paragraph shall be construed to prohibit or limit a
20 scholarly, journalistic, political, or government use of address
21 information obtained pursuant to this paragraph.

22 (g) Test questions, scoring keys, and other examination data
23 used to administer a licensing examination, examination for
24 employment, or academic examination, except as provided for in
25 Chapter 3 (commencing with Section 99150) of Part 65 of Division
26 14 of Title 3 of the Education Code.

27 (h) The contents of real estate appraisals or engineering or
28 feasibility estimates and evaluations made for or by the state or
29 local agency relative to the acquisition of property, or to
30 prospective public supply and construction contracts, until all of
31 the property has been acquired or all of the contract agreement
32 obtained. However, the law of eminent domain shall not be affected
33 by this provision.

34 (i) Information required from any taxpayer in connection with
35 the collection of local taxes that is received in confidence and the
36 disclosure of the information to other persons would result in unfair
37 competitive disadvantage to the person supplying the information.

38 (j) Library circulation records kept for the purpose of identifying
39 the borrower of items available in libraries, and library and museum
40 materials made or acquired and presented solely for reference or

1 exhibition purposes. The exemption in this subdivision shall not
2 apply to records of fines imposed on the borrowers.

3 (k) Records, the disclosure of which is exempted or prohibited
4 pursuant to federal or state law, including, but not limited to,
5 provisions of the Evidence Code relating to privilege.

6 (l) Correspondence of and to the Governor or employees of the
7 Governor's office or in the custody of or maintained by the
8 Governor's Legal Affairs Secretary. However, public records shall
9 not be transferred to the custody of the Governor's Legal Affairs
10 Secretary to evade the disclosure provisions of this chapter.

11 (m) In the custody of or maintained by the Legislative Counsel,
12 except those records in the public database maintained by the
13 Legislative Counsel that are described in Section 10248.

14 (n) Statements of personal worth or personal financial data
15 required by a licensing agency and filed by an applicant with the
16 licensing agency to establish his or her personal qualification for
17 the license, certificate, or permit applied for.

18 (o) Financial data contained in applications for financing under
19 Division 27 (commencing with Section 44500) of the Health and
20 Safety Code, where an authorized officer of the California Pollution
21 Control Financing Authority determines that disclosure of the
22 financial data would be competitively injurious to the applicant
23 and the data is required in order to obtain guarantees from the
24 United States Small Business Administration. The California
25 Pollution Control Financing Authority shall adopt rules for review
26 of individual requests for confidentiality under this section and for
27 making available to the public those portions of an application that
28 are subject to disclosure under this chapter.

29 (p) Records of state agencies related to activities governed by
30 Chapter 10.3 (commencing with Section 3512), Chapter 10.5
31 (commencing with Section 3525), and Chapter 12 (commencing
32 with Section 3560) of Division 4, that reveal a state agency's
33 deliberative processes, impressions, evaluations, opinions,
34 recommendations, meeting minutes, research, work products,
35 theories, or strategy, or that provide instruction, advice, or training
36 to employees who do not have full collective bargaining and
37 representation rights under these chapters. Nothing in this
38 subdivision shall be construed to limit the disclosure duties of a
39 state agency with respect to any other records relating to the

1 activities governed by the employee relations acts referred to in
2 this subdivision.

3 (q) (1) Records of state agencies related to activities governed
4 by Article 2.6 (commencing with Section 14081), Article 2.8
5 (commencing with Section 14087.5), and Article 2.91
6 (commencing with Section 14089) of Chapter 7 of Part 3 of
7 Division 9 of the Welfare and Institutions Code, that reveal the
8 special negotiator's deliberative processes, discussions,
9 communications, or any other portion of the negotiations with
10 providers of health care services, impressions, opinions,
11 recommendations, meeting minutes, research, work product,
12 theories, or strategy, or that provide instruction, advice, or training
13 to employees.

14 (2) Except for the portion of a contract containing the rates of
15 payment, contracts for inpatient services entered into pursuant to
16 these articles, on or after April 1, 1984, shall be open to inspection
17 one year after they are fully executed. If a contract for inpatient
18 services that is entered into prior to April 1, 1984, is amended on
19 or after April 1, 1984, the amendment, except for any portion
20 containing the rates of payment, shall be open to inspection one
21 year after it is fully executed. If the California Medical Assistance
22 Commission enters into contracts with health care providers for
23 other than inpatient hospital services, those contracts shall be open
24 to inspection one year after they are fully executed.

25 (3) Three years after a contract or amendment is open to
26 inspection under this subdivision, the portion of the contract or
27 amendment containing the rates of payment shall be open to
28 inspection.

29 (4) Notwithstanding any other provision of law, the entire
30 contract or amendment shall be open to inspection by the Joint
31 Legislative Audit Committee and the Legislative Analyst's Office.
32 The committee and that office shall maintain the confidentiality
33 of the contracts and amendments until the time a contract or
34 amendment is fully open to inspection by the public.

35 (r) Records of Native American graves, cemeteries, and sacred
36 places and records of Native American places, features, and objects
37 described in Sections 5097.9 and 5097.993 of the Public Resources
38 Code maintained by, or in the possession of, the Native American
39 Heritage Commission, another state agency, or a local agency.

1 (s) A final accreditation report of the Joint Commission on
2 Accreditation of Hospitals that has been transmitted to the State
3 Department of Health Care Services pursuant to subdivision (b)
4 of Section 1282 of the Health and Safety Code.

5 (t) Records of a local hospital district, formed pursuant to
6 Division 23 (commencing with Section 32000) of the Health and
7 Safety Code, or the records of a municipal hospital, formed
8 pursuant to Article 7 (commencing with Section 37600) or Article
9 8 (commencing with Section 37650) of Chapter 5 of Part 2 of
10 Division 3 of Title 4 of this code, that relate to any contract with
11 an insurer or nonprofit hospital service plan for inpatient or
12 outpatient services for alternative rates pursuant to Section 10133
13 of the Insurance Code. However, the record shall be open to
14 inspection within one year after the contract is fully executed.

15 (u) (1) Information contained in applications for licenses to
16 carry firearms issued pursuant to Section 26150, 26155, 26170,
17 or 26215 of the Penal Code by the sheriff of a county or the chief
18 or other head of a municipal police department that indicates when
19 or where the applicant is vulnerable to attack or that concerns the
20 applicant's medical or psychological history or that of members
21 of his or her family.

22 (2) The home address and telephone number of prosecutors,
23 public defenders, peace officers, judges, court commissioners, and
24 magistrates that are set forth in applications for licenses to carry
25 firearms issued pursuant to Section 26150, 26155, 26170, or 26215
26 of the Penal Code by the sheriff of a county or the chief or other
27 head of a municipal police department.

28 (3) The home address and telephone number of prosecutors,
29 public defenders, peace officers, judges, court commissioners, and
30 magistrates that are set forth in licenses to carry firearms issued
31 pursuant to Section 26150, 26155, 26170, or 26215 of the Penal
32 Code by the sheriff of a county or the chief or other head of a
33 municipal police department.

34 (v) (1) Records of the Managed Risk Medical Insurance Board
35 and the State Department of Health Care Services related to
36 activities governed by Part 6.3 (commencing with Section 12695),
37 Part 6.5 (commencing with Section 12700), Part 6.6 (commencing
38 with Section 12739.5), and Part 6.7 (commencing with Section
39 12739.70) of Division 2 of the Insurance Code, and Chapter 2

1 (commencing with Section 15850) of Part 3.3 of Division 9 of the
2 Welfare and Institutions Code, and that reveal any of the following:

3 (A) The deliberative processes, discussions, communications,
4 or any other portion of the negotiations with entities contracting
5 or seeking to contract with the board or the department, entities
6 with which the board or the department is considering a contract,
7 or entities with which the board is considering or enters into any
8 other arrangement under which the board or the department
9 provides, receives, or arranges services or reimbursement.

10 (B) The impressions, opinions, recommendations, meeting
11 minutes, research, work product, theories, or strategy of the board
12 or its staff or the department or its staff, or records that provide
13 instructions, advice, or training to their employees.

14 (2) (A) Except for the portion of a contract that contains the
15 rates of payment, contracts entered into pursuant to Part 6.3
16 (commencing with Section 12695), Part 6.5 (commencing with
17 Section 12700), Part 6.6 (commencing with Section 12739.5), or
18 Part 6.7 (commencing with Section 12739.70) of Division 2 of the
19 Insurance Code, or Chapter 2.2 (commencing with Section 15850)
20 of Part 3.3 of Division 9 of the Welfare and Institutions Code, on
21 or after July 1, 1991, shall be open to inspection one year after
22 their effective dates.

23 (B) If a contract that is entered into prior to July 1, 1991, is
24 amended on or after July 1, 1991, the amendment, except for any
25 portion containing the rates of payment, shall be open to inspection
26 one year after the effective date of the amendment.

27 (3) Three years after a contract or amendment is open to
28 inspection pursuant to this subdivision, the portion of the contract
29 or amendment containing the rates of payment shall be open to
30 inspection.

31 (4) Notwithstanding any other law, the entire contract or
32 amendments to a contract shall be open to inspection by the Joint
33 Legislative Audit Committee. The committee shall maintain the
34 confidentiality of the contracts and amendments thereto, until the
35 contracts or amendments to the contracts are open to inspection
36 pursuant to paragraph (3).

37 (w) (1) Records of the Managed Risk Medical Insurance Board
38 related to activities governed by Chapter 8 (commencing with
39 Section 10700) of Part 2 of Division 2 of the Insurance Code, and
40 that reveal the deliberative processes, discussions, communications,

1 or any other portion of the negotiations with health plans, or the
2 impressions, opinions, recommendations, meeting minutes,
3 research, work product, theories, or strategy of the board or its
4 staff, or records that provide instructions, advice, or training to
5 employees.

6 (2) Except for the portion of a contract that contains the rates
7 of payment, contracts for health coverage entered into pursuant to
8 Chapter 8 (commencing with Section 10700) of Part 2 of Division
9 2 of the Insurance Code, on or after January 1, 1993, shall be open
10 to inspection one year after they have been fully executed.

11 (3) Notwithstanding any other law, the entire contract or
12 amendments to a contract shall be open to inspection by the Joint
13 Legislative Audit Committee. The committee shall maintain the
14 confidentiality of the contracts and amendments thereto, until the
15 contracts or amendments to the contracts are open to inspection
16 pursuant to paragraph (2).

17 (x) Financial data contained in applications for registration, or
18 registration renewal, as a service contractor filed with the Director
19 of Consumer Affairs pursuant to Chapter 20 (commencing with
20 Section 9800) of Division 3 of the Business and Professions Code,
21 for the purpose of establishing the service contractor's net worth,
22 or financial data regarding the funded accounts held in escrow for
23 service contracts held in force in this state by a service contractor.

24 (y) (1) Records of the Managed Risk Medical Insurance Board
25 related to activities governed by Part 6.2 (commencing with Section
26 12693) or Part 6.4 (commencing with Section 12699.50) of
27 Division 2 of the Insurance Code, and that reveal any of the
28 following:

29 (A) The deliberative processes, discussions, communications,
30 or any other portion of the negotiations with entities contracting
31 or seeking to contract with the board, entities with which the board
32 is considering a contract, or entities with which the board is
33 considering or enters into any other arrangement under which the
34 board provides, receives, or arranges services or reimbursement.

35 (B) The impressions, opinions, recommendations, meeting
36 minutes, research, work product, theories, or strategy of the board
37 or its staff, or records that provide instructions, advice, or training
38 to employees.

39 (2) (A) Except for the portion of a contract that contains the
40 rates of payment, contracts entered into pursuant to Part 6.2

1 (commencing with Section 12693) or Part 6.4 (commencing with
2 Section 12699.50) of Division 2 of the Insurance Code, on or after
3 January 1, 1998, shall be open to inspection one year after their
4 effective dates.

5 (B) If a contract entered into pursuant to Part 6.2 (commencing
6 with Section 12693) or Part 6.4 (commencing with Section
7 12699.50) of Division 2 of the Insurance Code is amended, the
8 amendment shall be open to inspection one year after the effective
9 date of the amendment.

10 (3) Three years after a contract or amendment is open to
11 inspection pursuant to this subdivision, the portion of the contract
12 or amendment containing the rates of payment shall be open to
13 inspection.

14 (4) Notwithstanding any other law, the entire contract or
15 amendments to a contract shall be open to inspection by the Joint
16 Legislative Audit Committee. The committee shall maintain the
17 confidentiality of the contracts and amendments thereto until the
18 contract or amendments to a contract are open to inspection
19 pursuant to paragraph (2) or (3).

20 (5) The exemption from disclosure provided pursuant to this
21 subdivision for the contracts, deliberative processes, discussions,
22 communications, negotiations, impressions, opinions,
23 recommendations, meeting minutes, research, work product,
24 theories, or strategy of the board or its staff shall also apply to the
25 contracts, deliberative processes, discussions, communications,
26 negotiations, impressions, opinions, recommendations, meeting
27 minutes, research, work product, theories, or strategy of applicants
28 pursuant to Part 6.4 (commencing with Section 12699.50) of
29 Division 2 of the Insurance Code.

30 (z) Records obtained pursuant to paragraph (2) of subdivision
31 (f) of Section 2891.1 of the Public Utilities Code.

32 (aa) A document prepared by or for a state or local agency that
33 assesses its vulnerability to terrorist attack or other criminal acts
34 intended to disrupt the public agency’s operations and that is for
35 distribution or consideration in a closed session.

36 (ab) Critical infrastructure information, as defined in Section
37 131(3) of Title 6 of the United States Code, that is voluntarily
38 submitted to the California Emergency Management Agency for
39 use by that office, including the identity of the person who or entity
40 that voluntarily submitted the information. As used in this

1 subdivision, “voluntarily submitted” means submitted in the
2 absence of the office exercising any legal authority to compel
3 access to or submission of critical infrastructure information. This
4 subdivision shall not affect the status of information in the
5 possession of any other state or local governmental agency.

6 (ac) All information provided to the Secretary of State by a
7 person for the purpose of registration in the Advance Health Care
8 Directive Registry, except that those records shall be released at
9 the request of a health care provider, a public guardian, or the
10 registrant’s legal representative.

11 (ad) The following records of the State Compensation Insurance
12 Fund:

13 (1) Records related to claims pursuant to Chapter 1
14 (commencing with Section 3200) of Division 4 of the Labor Code,
15 to the extent that confidential medical information or other
16 individually identifiable information would be disclosed.

17 (2) Records related to the discussions, communications, or any
18 other portion of the negotiations with entities contracting or seeking
19 to contract with the fund, and any related deliberations.

20 (3) Records related to the impressions, opinions,
21 recommendations, meeting minutes of meetings or sessions that
22 are lawfully closed to the public, research, work product, theories,
23 or strategy of the fund or its staff, on the development of rates,
24 contracting strategy, underwriting, or competitive strategy pursuant
25 to the powers granted to the fund in Chapter 4 (commencing with
26 Section 11770) of Part 3 of Division 2 of the Insurance Code.

27 (4) Records obtained to provide workers’ compensation
28 insurance under Chapter 4 (commencing with Section 11770) of
29 Part 3 of Division 2 of the Insurance Code, including, but not
30 limited to, any medical claims information, policyholder
31 information provided that nothing in this paragraph shall be
32 interpreted to prevent an insurance agent or broker from obtaining
33 proprietary information or other information authorized by law to
34 be obtained by the agent or broker, and information on rates,
35 pricing, and claims handling received from brokers.

36 (5) (A) Records that are trade secrets pursuant to Section
37 6276.44, or Article 11 (commencing with Section 1060) of Chapter
38 4 of Division 8 of the Evidence Code, including without limitation,
39 instructions, advice, or training provided by the State Compensation
40 Insurance Fund to its board members, officers, and employees

1 regarding the fund's special investigation unit, internal audit unit,
2 and informational security, marketing, rating, pricing, underwriting,
3 claims handling, audits, and collections.

4 (B) Notwithstanding subparagraph (A), the portions of records
5 containing trade secrets shall be available for review by the Joint
6 Legislative Audit Committee, the Bureau of State Audits, Division
7 of Workers' Compensation, and the Department of Insurance to
8 ensure compliance with applicable law.

9 (6) (A) Internal audits containing proprietary information and
10 the following records that are related to an internal audit:

11 (i) Personal papers and correspondence of any person providing
12 assistance to the fund when that person has requested in writing
13 that his or her papers and correspondence be kept private and
14 confidential. Those papers and correspondence shall become public
15 records if the written request is withdrawn, or upon order of the
16 fund.

17 (ii) Papers, correspondence, memoranda, or any substantive
18 information pertaining to any audit not completed or an internal
19 audit that contains proprietary information.

20 (B) Notwithstanding subparagraph (A), the portions of records
21 containing proprietary information, or any information specified
22 in subparagraph (A) shall be available for review by the Joint
23 Legislative Audit Committee, the Bureau of State Audits, Division
24 of Workers' Compensation, and the Department of Insurance to
25 ensure compliance with applicable law.

26 (7) (A) Except as provided in subparagraph (C), contracts
27 entered into pursuant to Chapter 4 (commencing with Section
28 11770) of Part 3 of Division 2 of the Insurance Code shall be open
29 to inspection one year after the contract has been fully executed.

30 (B) If a contract entered into pursuant to Chapter 4 (commencing
31 with Section 11770) of Part 3 of Division 2 of the Insurance Code
32 is amended, the amendment shall be open to inspection one year
33 after the amendment has been fully executed.

34 (C) Three years after a contract or amendment is open to
35 inspection pursuant to this subdivision, the portion of the contract
36 or amendment containing the rates of payment shall be open to
37 inspection.

38 (D) Notwithstanding any other law, the entire contract or
39 amendments to a contract shall be open to inspection by the Joint
40 Legislative Audit Committee. The committee shall maintain the

1 confidentiality of the contracts and amendments thereto until the
2 contract or amendments to a contract are open to inspection
3 pursuant to this paragraph.

4 (E) This paragraph is not intended to apply to documents related
5 to contracts with public entities that are not otherwise expressly
6 confidential as to that public entity.

7 (F) For purposes of this paragraph, “fully executed” means the
8 point in time when all of the necessary parties to the contract have
9 signed the contract.

10 This section shall not prevent any agency from opening its
11 records concerning the administration of the agency to public
12 inspection, unless disclosure is otherwise prohibited by law.

13 This section shall not prevent any health facility from disclosing
14 to a certified bargaining agent relevant financing information
15 pursuant to Section 8 of the National Labor Relations Act (29
16 U.S.C. Sec. 158).

17 SEC. 3. The Legislature finds and declares that Section 2 of
18 this act, which amends Section 6254 of the Government Code,
19 imposes a limitation on the public’s right of access to the meetings
20 of public bodies or the writings of public officials and agencies
21 within the meaning of Section 3 of Article I of the California
22 Constitution. Pursuant to that constitutional provision, the
23 Legislature makes the following findings to demonstrate the interest
24 protected by this limitation and the need for protecting that interest:

25 The potential disclosure of attorneys’ billing records could be
26 damaging to the legal interests of public agencies because these
27 records, when disclosed during the pendency of litigation, may
28 reveal significant strategic facts to the opposing litigant.

**California Board of Accountancy
Report on Licensing Division Activity
As of February 28, 2014**

Licensee Population

Type of License	As of June 30, 2012	As of June 30, 2013	As of February 28, 2014
CPA	84,712	87,015	89,664
PA	122	105	87
Partnership	1,414	1,431	1,449
Corporation	3,718	3,835	3,939

Contact with CBA Stakeholders

Telephone Calls Received	FY 2011/12	FY 2012/13	FY 2013/14
Examination Unit	20,511	22,610	13,561
Initial Licensing Unit	19,399	24,006	20,521
License Renewal and Continuing Competency Unit	21,579	20,958	15,519
Practice Privilege Unit	882	921	487

Emails Received	FY 2011/12	FY 2012/13	FY 2013/14
Examination Unit	10,042	11,551	7,332
Initial Licensing Unit	7,913	9,670	9,870
License Renewal and Continuing Competency Unit	8,192	9,601	7,899
Practice Privilege Unit	1,516	583	192

Examination Unit

- The Examination Unit is presently recruiting to fill one vacant clerical support position.
- In an effort to continue to ensure the effectiveness of the overall administration of the Uniform CPA Examination process, in late January, staff performed a secret shopper visit of a Prometric testing site. Staff performed all the same steps as an examination candidate would from scheduling to physically taking the exam.

**California Board of Accountancy
Report on Licensing Division Activity
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CPA Examination Applications	FY 2011/12	FY 2012/13	FY 2013/14
First-Time Sitter			
Total Received	7,243	7,175	4,052
Total Processed	7,765	9,210	6,180
Average Days to Process	21	23	22
Repeat Sitter			
Total Received	17,606	18,584	10,901
Total Processed	17,775	18,685	11,453
Average Days to Process	7	8	6

CPA Examination Special Requests	FY 2011/12	FY 2012/13	FY 2013/14
Conditional Credit and Notice to Schedule Extensions*			
Total Received	*	114	116
Total Completed	*	104	116
Average Days to Process	*	16	18
Educational Qualification Appeals**			
Total Received	**	40	30
Total Completed	**	37	30
Average Days to Process	**	20	24

* These statistics were not tracked prior to January 1, 2013.

** These statistics were not tracked prior to April 1, 2013.

CPA Examination Special Requests	FY 2011/12	FY 2012/13	FY 2013/14
Special Accommodation Requests**			
Total Received	**	69	105
Total Completed	**	69	110
Average Days to Process	**	8	14

** These statistics were not tracked prior to April 1, 2013.

**California Board of Accountancy
Report on Licensing Division Activity
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Initial Licensing Unit

- The Initial Licensing Unit (ILU) has started to see a decrease in the total number of applications received for initial CPA licensure. While for January 2014 the total number of applications was still above average (428 received), it is down considerably from December 2013 (748 received).
- In February 2014, ILU received its first batch of initial applications for CPA licensure from individuals applying under the new educational requirements.
- On February 4, 2014, the Licensing Chief spoke at the California Society of CPAs Sacramento Chapter Student Luncheon. The engagement took place at California State University, Sacramento and was titled “2014 Education Requirements for CPA Licensure.”
- The ILU is presently recruiting to fill an Office Technician position.

Individual License Applications	FY 2011/12	FY 2012/13	FY 2013/14
Certified Public Accountant			
Total Received	3,594	3,654	3,799
Total Processed	3,241	3,474	3,486
Average Days to Process	15	25	25
Method of Licensure			
Pathway 0	12	4	0
Pathway 1 – attest	405	416	371
Pathway 1 – general	499	543	580
Pathway 2 – attest	795	756	688
Pathway 2 – general	1,530	1,755	1,847

Individual License Applications	FY 2011/12	FY 2012/13	FY 2013/14
Certifications			
Total Received	1,237	1,073	695
Total Processed	1,237	1,073	622
Average Days to Process	20	20	24

**California Board of Accountancy
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Firm License Applications	FY 2011/12	FY 2012/13	FY 2013/14
Corporation			
Total Received	257	221	155
Total Processed	223	174	140
Average Days to Process	8	14	28
Partnership			
Total Received	125	89	71
Total Processed	106	70	66
Average Days to Process	8	14	28
Fictitious Name Permit			
Total Received	178	169	131
Total Processed	156	105	96
Average Days to Process	8	14	28

License Renewal and Continuing Competency Unit

- The License Renewal and Continuing Competency (RCC) Unit continues to prepare for the new retired status license that becomes effective July 1, 2014. Staff are meeting regularly to develop the necessary procedures. Additionally, an article regarding retired status will be included in the spring edition of UPDATE.
- In an effort to provide expanded information to members, a new section has been added to the table on page 5 to illustrate the most common types of deficiencies identified during the license renewal verification process.
- The RCC Unit recently filled a Staff Services Analyst position.

**California Board of Accountancy
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License Renewal	FY 2011/12	FY 2012/13	FY 2013/14
Total Licenses Renewed			
Certified Public Accountant	38,329	38,334	26,233
Public Accountant	20	25	9
Corporation	653	579	1,008
Partnership	1,654	1,560	397
License Renewal Verification			
CPA/PA Applications Reviewed	44,749	36,927	26,629
Deficient Applications Identified	4,233	4,064	2,560
Compliance Responses Received	3,502	3,453	2,083
Outstanding Deficiencies	675	558	813
Top Three Renewal Deficiencies			
1) Failure to Submit Peer Review Reporting Form	--	--	42%
2) Failure to Submit/Incomplete License Renewal Application	--	--	34%
3) Failure to Complete Four Hours of Ethics Continuing Education	--	--	14%
CE Audits			
Licensees Selected for Audit	^	30	555
Outstanding Audits	^	0	290
Compliances Received	^	30	265
Enforcement Referrals	56	53	126

^ As referenced in the January 2014 Executive Officer's Report, the CE audit process was restructured in June 2013.

-- Previously license renewal applications that were identified as deficient due to more than one reason were categorized and reported as a "multiple" deficiency. Beginning January 1, 2014 this category was expanded to provide a more accurate accounting of each deficiency type identified.

**California Board of Accountancy
Report on Licensing Division Activity
As of February 28, 2014**

Practice Privilege Unit

Practice Privilege	FY 2011/12	FY 2012/13	FY 2013/14
Out-of-State Accounting Firm Registrations			
Total Approved	--	--	155
Total Pending Review	--	--	4
Total Deficient Applications	--	--	4
Total Enforcement Referrals	--	--	5

California Board of Accountancy Enforcement Activity Report

Report as of February 28, 2014

Complaints

1.1 – Complaints/Records of Convictions	FY 2011/12	FY 2012/13	FY 2013/14
Received	1,911	3,271	2,538
<i>Internal – Peer Review (Failure to Respond)</i>	872	1,800	1,481
<i>Internal – Peer Review (Other)</i>	58	508	281
<i>Internal – All Other</i>	503	510	528
<i>External</i>	478	453	248
Assigned for Investigation	1,626	2,951	2,415
Closed – No Action	294	329	118
Average Days from Intake to Closure or Assignment for Investigation	4	3	3
Pending	12	3	12
Average Age of Pending Complaints (days)	16	3	12

Comments

- The CBA has received 528 internal complaints since July 1, 2013, which represents more internal complaints than all of fiscal year 2012/13. The primary sources of the complaints are 1) criminal conviction and 2) unlicensed practice.
- Peer Review (Other) complaints typically include investigation of failed peer review reports, failure to comply with citations, filing an incorrect peer review reporting form, or renewing a license without undergoing a peer review.
- On average, staff assigned complaints to an investigator within three days of receipt.
- In the current fiscal year, approximately 96 percent of complaints received were opened for investigation, which is an increase from the previous fiscal year rate of 90 percent.

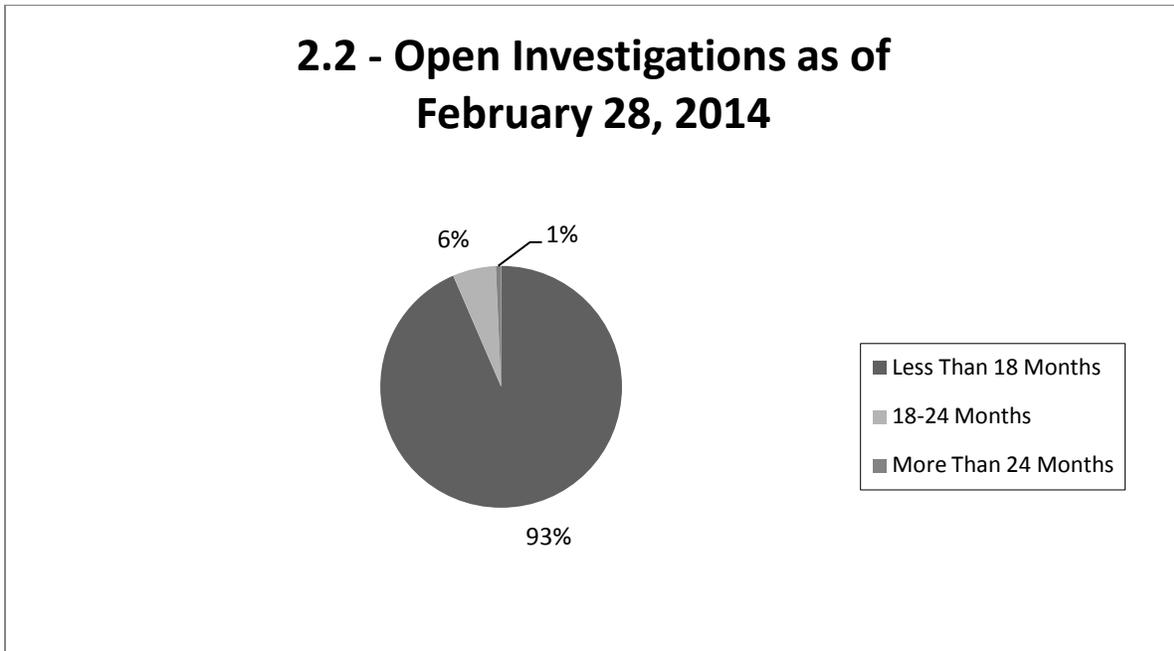
Investigations

2.1 – Investigations	FY 2011/12	FY 2012/13	FY 2013/14
Assigned	1,626	2,951	2,415
<i>Internal – Peer Review (Failure to Respond)</i>	872	1,794	1,481
<i>Internal – Peer Review (Other)</i>	58	437	278
<i>Internal – All Other</i>	335	361	444
<i>External</i>	361	359	212
Closed	1,525	2,872	2,223
Average Days to Close	85	73	59
Investigations Pending	439	518	710
<i>< 18 Months</i>	384	500	665
<i>18-24 Months</i>	26	17	41
<i>> 24 Months</i>	29	1	4
Average Age of Open Cases (days)	248	166	194
Median Age of Open Cases (days)	164	104	140

Comments

- The 444 internal investigations opened represent a 23 percent increase of investigations opened over the previous fiscal year.
- Four cases have been open for more than 24 months. The status for each of the cases is as follows:
 - One investigation is near completion and a referral to the Attorney General (AG) will be made.
 - Three investigations are ongoing. An investigative hearing will be scheduled for two of them. These cases are the more complex investigations requiring additional time to resolve.
- The average and median age of open cases is higher than the previous fiscal year, but remains lower than the previous report of 213 and 165, respectively.
- The number of investigations pending is higher than the two prior fiscal years.
- The average days to close continues to remain lower than the previous two fiscal years.

Chart 2.2 illustrates the percentage of total open cases by length of time. Approximately 99 percent of investigations have been open for less than 24 months; six percent of investigations have been open for 18 to 24 months; and one percent of investigations have been open for more than 24 months.



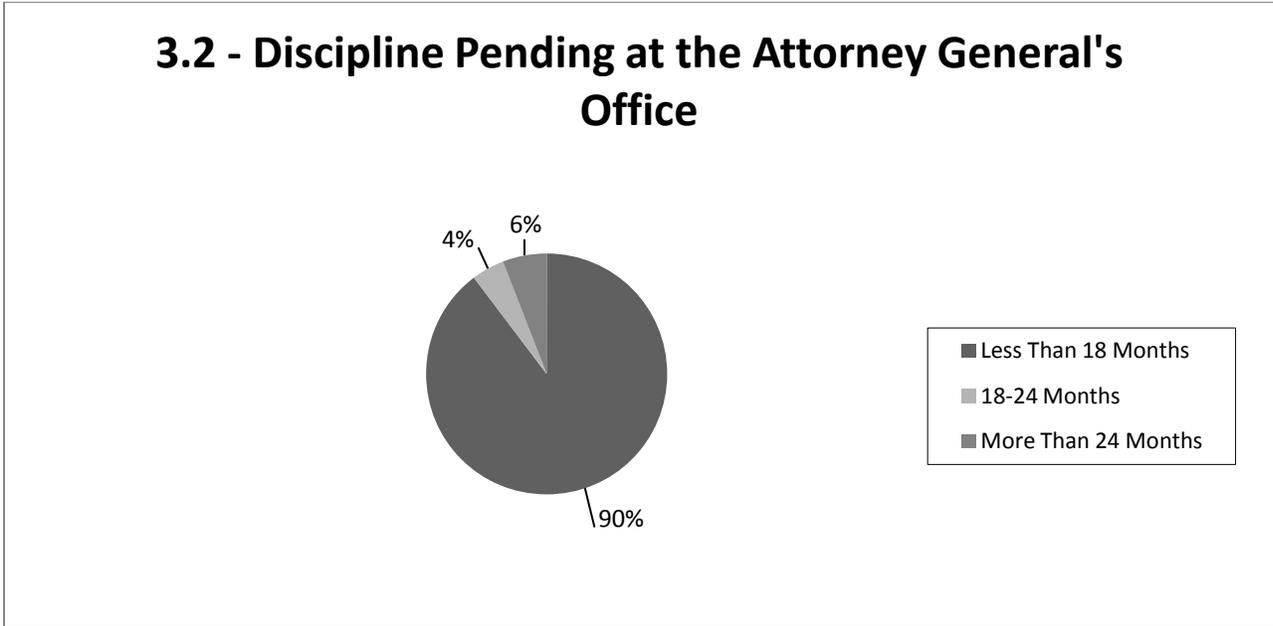
Discipline

3.1 - AG Referrals	FY 2011/12	FY 2012/13	FY 2013/14
Referrals	50	62	36
Accusations Filed	37	50	22
Statements of Issues Filed	2	3	2
Petitions for Revocation of Probation Filed	3	3	4
Closed	26	58	23
<i>Via Stipulated Settlement</i>	19	39	16
<i>Via Proposed Decision</i>	3	5	3
<i>Via Default Decision</i>	4	14	4
Discipline Pending	54	57	68
<i>< 18 Months</i>	44	52	61
<i>18-24 Months</i>	3	2	3
<i>> 24 Months</i>	7	3	4

Comments

- There are four cases that have been at the AG's Office for more than 24 months:
 - One case was considered by the CBA in May 2012 and had a Writ filed with the California Superior Court, and a hearing was held in June 2013. The Court issued a tentative decision in September 2013, however, additional testimony was taken on February 27, 2014. Closing briefs are due on March 21, 2014, and arguments are scheduled for March 27, 2014.
 - One case was considered by the CBA at the November 21-22, 2013, meeting, however, a Petition for Reconsideration was granted, and will be considered at the March 20-21, 2014 CBA meeting.
 - One case has been set for an administrative hearing in 2014.
 - Staff is actively working with opposing counsel on settlement terms for the final case. Staff anticipates the matter will be heard at the March 20-21, 2014 CBA meeting.
- The CBA has adopted sixteen Stipulated Settlements, three Proposed Decisions and four Default Decisions in fiscal year 2013/14.
- The Enforcement Division has referred an additional fifteen cases to the AG's Office for discipline since the prior report, resulting in an increase of the number of discipline cases pending at the AG's Office from 53 to 68.

Chart 3.2 illustrates the number of cases pending at the AG's Office by percentage. Approximately 94 percent of all CBA cases at the AG's Office have been open less than 24 months, four percent have been pending 18-24 months, and six percent have been pending more than 24 months.



Citations and Fines

4.1 – Citations	FY 2011/12	FY 2012/13	FY 2013/14
Total Citations Issued	908	1,883	1,506
Total Fines Assessed	\$255,350	\$532,400	\$388,050
<i>Peer Review (Failure to Respond)</i>	872	1,800	1,481
<i>Peer Review Fines Assessed</i>	\$217,850	\$450,000	\$370,025
<i>Other Citations</i>	36	83	25
<i>Other Fines Assessed</i>	\$37,500	\$82,400	\$17,800
Average number of days from receipt of a complaint to issuance of a citation	22	67	30
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:	Name of Firm (BPC 5060)	Practice Without Permit (BPC 5050)	Name of Firm (BPC 5060)

Comments

- There were six Other Citations issued since the previous report, with fines totaling \$4,000.
- The average number of days from receipt to citation issuance has decreased from the previous report. The number is now lower than the previous fiscal year, and is consistent with fiscal year 2011/12.

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. The next probation meetings will be held in conjunction with the EAC meeting in May 2014. There are 61 licensees on probation, with three residing out-of-state.

Peer Review

5.1 - Peer Review						
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	2,626	4,304	15,776	22,706	8
34-66	7/1/12	2,170	4,006	13,167	19,343	30
67-00	7/1/13	2,105	3,901	14,147	20,153	799
		6,901	12,211	43,090	62,202	837

Comments

- The above data represents the results and status of the Peer Review phased-implementation. Since the last report there were 361 licensees who reported their peer review information.

Mobility

Effective July 1, 2013, the CBA implemented a no notice, no fee practice privilege model in California. The table below depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms and Notification of Cessation Event Forms.

6.1 - Mobility	FY 2013/14
Pre-Notification Forms Received	11
Cessation Event Forms Received	0
SEC Discipline Identified	27
PCAOB Discipline Identified	8
Out-of-State Accounting Firm Registrants That Reported Other Discipline	7
Complaints against Practice Privilege Holders	2

Comments

- Of the 11 Pre-Notification Forms received, nine were inadvertently completed by out-of-state licensees that did not have a pre-notification reporting requirement.
- Staff continues to monitor the Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB) websites for discipline information. Additionally, the SEC and PCAOB websites were reviewed for the disciplinary actions taken by these agencies for the period of July 1, 2013 through December 31, 2013.
- Staff sent letters to all CPAs who were disciplined from either agency to inform them that they must seek CBA authorization prior to practicing in California.

Division Highlights and Future Considerations

- The Enforcement Division has experienced a surge of complaints since the previous reporting period. However, management continues to work with staff to prioritize complaints, and is continuing to process the complaints with potential consumer harm first.
- Enforcement management is seeking to hire Retired Annuitants to assist in conducting investigations. Additionally these resources may assist in preparing to transition to the BreZE system.



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CBA Item IX.A.
 March 20-21, 2014

DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
November 21-22, 2013
CBA MEETING

DRAFT

Hilton San Jose
 300 South Almaden Blvd.
 San Jose, CA 95113
 Telephone: (408) 287-2100
 Fax: (408) 947-4489

Roll Call and Call to Order.

CBA President Leslie LaManna called the meeting to order at 10:10 a.m. on Thursday, November 21, 2013 at the Hilton San Jose. The meeting recessed at 3:06 p.m. President LaManna reconvened the meeting at 9:01 a.m. on Friday, November 22, 2013 and the meeting adjourned at 11:05 a.m.

CBA Members

November 21, 2013

Leslie LaManna, President	10:10 a.m. to 3:06 p.m.
Michael Savoy, Vice President	10:10 a.m. to 3:06 p.m.
K.T. Leung, Secretary-Treasurer	10:10 a.m. to 3:06 p.m.
Sarah (Sally) Anderson	10:10 a.m. to 3:06 p.m.
Diana Bell	10:22 a.m. to 3:06 p.m.
Alicia Berhow	10:10 a.m. to 3:06 p.m.
Michelle Brough	10:10 a.m. to 3:06 p.m.
Jose Campos	10:10 a.m. to 3:06 p.m.
Herschel Elkins	10:10 a.m. to 3:06 p.m.
Laurence (Larry) Kaplan	10:10 a.m. to 3:06 p.m.
Louise Kirkbride	10:10 a.m. to 3:06 p.m.
Marshal Oldman	Absent
Manuel Ramirez	10:10 a.m. to 3:06 p.m.
Katrina Salazar	10:10 a.m. to 3:06 p.m.

CBA Members

November 22, 2013

Leslie LaManna, President	9:01 a.m. to 11:05 a.m.
Michael Savoy, Vice President	9:01 a.m. to 11:05 a.m.
K.T. Leung, Secretary-Treasurer	9:01 a.m. to 9:18 a.m.
Sarah (Sally) Anderson	9:01 a.m. to 11:05 a.m.
Diana Bell	Absent
Alicia Berhow	9:01 a.m. to 11:05 a.m.
Michelle Brough	9:01 a.m. to 11:05 a.m.
Jose Campos	9:01 a.m. to 11:05 a.m.
Herschel Elkins	9:01 a.m. to 11:05 a.m.
Laurence (Larry) Kaplan	9:01 a.m. to 11:05 a.m.
Louise Kirkbride	Absent
Marshal Oldman	Absent
Manuel Ramirez	9:01 a.m. to 11:05 a.m.
Katrina Salazar	9:01 a.m. to 11:05 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Paul Fisher, Enforcement Supervising ICPA
Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Nicholas Ng, Administration Manager
Kari O'Connor, Enforcement Analyst
Corey Riordan, Board Relations Analyst
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Legislative Analyst

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)
Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)
Maurice Eckley Jr., Chair, Qualifications Committee (QC)

Other Participants

Ken Bishop, National Association of State Boards of Accountancy (NASBA)
Michael C. Cohn, Administrative Law Judge (ALJ), Office of Administrative Hearings
Patricia Farace, Prometric
Michael Decker, American Institute of CPAs (AICPA)
Jason Fox, California Society of Certified Public Accountants (CalCPA)

Patricia Hartman, NASBA
Gary McBride, Professor, Department of Accounting and Finance, California State University, East Bay
Michael Mophew, Center for Public Interest Law (CPIL)
Michelle Vu Nguyen, Petitioner
Pilar Onate-Quintana, KP Public Affairs
Joe Petito, The Accountants Coalition
Hal Schultz, CalCPA
Randy Werner, CAMICO
Janice Williams, Diamond Court Reporters

I. Report of the President

A. Presentation from NASBA (National Association of State Boards of Accountancy) Regarding Uniform Certified Public Accountant (CPA) Examination.

Ms. Hartman, Ms. Farace and Mr. Decker provided an overview of the Uniform CPA Examination (CPA Exam). They highlight the tri-party agreement among NASBA, AICPA, and Prometric, taking the opportunity to overview each parties role in the overall administration of the CPA Exam.

B. 2014 CBA Member Committee Interest Survey.

Ms. Riordan requested that the CBA members complete the committee interest survey by December 6, 2013. She stated the new CBA President will use the surveys to appoint members to the Committee on Professional Conduct (CPC), the Legislative Committee (LC), the Enforcement Program Oversight Committee (EPOC) and liaisons for the Qualifications Committee (QC) and the Enforcement Advisory Committee (EAC).

C. Report on the Role of the Committee Liaisons.

Ms. LaManna provided an overview of the role of the committee liaisons. Ms. LaManna stated using surveys and interviews, it was determined that the liaisons provide the CBA with an important service and that the CBA should continue appointing and employing liaisons. Ms. LaManna recommended the CBA direct staff to develop an orientation program for new liaisons. The orientation would provide an overview of the liaisons role, introduction to the Chair and Vice-Chair of the committee, an overview of the current priorities and develop a liaison handbook. Secondly, the staff would facilitate communication between the Northern and Southern liaisons between meetings. Lastly, the staff would arrange for the liaisons to attend either an investigative hearing or an applicant employee interview during their term as liaison.

It was moved by Mr. Ramirez, seconded by Ms. Berhow and unanimously carried by those present to direct staff to develop an orientation program for new liaisons.

D. Resolution for Retiring CBA Member Michelle Brough.

It was moved by Mr. Elkins, seconded by Mr. Leung and unanimously carried by those present to approve the resolution for retiring CBA member Michelle Brough.

E. Resolution for Retiring Enforcement Advisory Committee Member James Rider (EAC).

It was moved by Mr. Ramirez, seconded by Ms. Brough and unanimously carried by those present to approve the resolution for retiring EAC member James Rider.

F. Discussion Regarding Lease Options for the California Board of Accountancy's Principal Office Location.

Ms. Bowers provided an update on the status of the primary CBA office location. Ms. Bowers stated a move would impact the CBA operationally and fiscally but due to the recent maintenance issues it is prudent to explore options for a new office location. Ms. Bowers stated the timeframe of a move would be approximately eighteen months, which would include the search, build out of the office suite and the physical move of the office items.

CBA members expressed their support of moving to a new office, which is newer and has the ability to accommodate the CBA's current and future needs.

G. DCA Director's Report.

There was no report for this item.

II. Report of the Vice President.

A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee (EAC).

It was moved by Mr. Elkins, seconded by Ms. Salazar and unanimously carried by those present to reappoint Ms. Gerhardt as Chair of the EAC for a one-year term.

It was moved by Mr. Elkins, seconded by Ms. Salazar and

unanimously carried by those present to appoint Mr. De Lyser as Vice Chair of the EAC for a one-year term.

- B. Recommendations for Appointment(s)/Reappointment(s) to and Rotation Off the Qualifications Committee (QC).

It was moved by Ms. Bell, seconded by Mr. Elkins and unanimously carried by those present to reappoint Mr. Eckley as Chair of the QC for a one-year term.

It was moved by Mr. Elkins, seconded by Ms. Bell and unanimously carried by those present to appoint Mr. Ruehl as Vice Chair of the QC for a one-year term.

It was moved by Mr. Elkins, seconded by Ms. Anderson and unanimously carried by those present to reappoint Ms. Bolsky as a member of the QC for two years.

It was moved by Mr. Ramirez, seconded by Ms. Brough and unanimously carried by those present to rotate Mr. Bong, Mr. Woyce and Mr. Haas off the QC.

- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report on this item.

III. Report of the Secretary/Treasurer

- A. Discussion of Governor's Budget.

- B. Fiscal Year 2013-2014 First Quarter Financial Statement.

Mr. Leung provided an overview of the first quarter financial statement. He stated the current 2013-2014 budget was set at \$11,574,000, an increase of four percent from the last fiscal year. Revenue during the first quarter was approximately \$3,000,000.

Mr. Ramirez inquired about the nine percent increase in wages, benefits and retirement.

Mr. Ng stated that the increase was due to the cancellation of the mandatory personal leave program and increased costs of benefits and retirement.

IV. Report of the Executive Officer (EO).

A. Overview of the Role of the Executive Officer in Identifying Resources Needs and Establishing Staffing Levels.

Ms. Bowers provided an overview of this item. She highlighted the rigorous internal process employed to determine appropriate staffing levels for each of the divisions. Ms. Bowers noted that prior to pursuing a staffing augmentation, consideration is given to current operational efficiencies, absorbing workload, redirecting existing resources and employing part-time or temporary employees. She noted that only after all other opportunities are explored and exhausted does she move forward with preparing and submitting a budget change proposal (BCP) for review by the DCA, Business, Consumer Services, and Housing Agency (BCSHA) and the Department of Finance (DOF). If the BCP is approved, it is submitted for inclusion in the Governor's Budget, where it is reviewed by the Budget Subcommittees of the Assembly and Senate. The BCPs are not approved until the Governor's budget is signed. Ms. Bowers reported that staff is continuing to work on the comparison of resource information from other agencies that the CBA requested.

Mr. Ramirez inquired about the loss of nine positions in 2012-2013.

Ms. Bowers stated a budget letter was released in 2011 directing state agencies to reduce its workforce. The CBA's portion was \$260,000, resulting in a reduction of nine positions. In 2012 a salary savings budget letter directed the CBA to reduce its budget by \$169,000, resulting in a reduction of five positions.

Mr. Ramirez inquired if the CBA is proposing to go back to the original staffing level.

Ms. Bowers stated the CBA uses the current and future workload to determine staffing levels.

B. Update on Staffing.

Ms. Bowers stated since the September CBA meeting the CBA has hired two permanent and two temporary staff. Currently, there is one vacancy in the renewal unit and two temporary vacancies in the enforcement division.

C. Discussion and Possible Action to Establish the Mobility Stakeholder Group.

Mr. Stanley provided an overview of this item. He stated that Senate Bill (SB) 1405 requires the CBA to convene a stakeholder group by July 1, 2014, the purpose which is to consider whether the provisions of the practice privilege law are consistent with the CBA's duty to protect the public and to satisfy the objectives of stakeholders of the accounting profession. He

further stated that at the group's first meeting it must adopt policies and procedures relative to how it will conduct its business. He noted that for this meeting the CBA must determine a group name, the composition of the group, who will determine the group composition, and group leadership.

It was moved by Mr. Campos, seconded by Mr. Elkins and unanimously carried by those present to:

- **Name the group the Mobility Stakeholder Group (MSG)**
- **Compose the group with two members of the CBA, two representatives of the accounting profession, two consumer representatives and one enforcement staff**
- **Have the 2014 CBA President appoint the members, a Chair and Vice-Chair and work with the Executive Officer to solicit members**

D. Update on the CBA 2013-2015 Strategic Plan (Written Report Only).

There were no comments on this item.

E. Update on the CBA 2013-2015 Communications and Outreach Plan (Written Report Only).

There were no comments on this item.

V. Report of the Licensing Chief.

A. Report on Licensing Division Report.

Mr. Franzella provided an overview of this item. He reported that due to Senate Bill (SB) 823, the Licensing Division has experienced an increase in activities, especially in telephone calls. He also noted that the division had seen a forty-three percent increase in the number of applications for licensure. He further stated that staff is working to clarify information regarding the new fingerprinting requirements.

VI. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Ixta provided an overview of this item. He reported during Fiscal Year (FY) 2013-2014 1,946 complaints were received and 1,894 of the cases were assigned for review. He noted that the division closed 390 cases and 2,029 cases were pending, with six complex cases pending over 24 months. He stated staff are trying to manage the increase in cases that are aging by prioritizing workload and working overtime when necessary.

Mr. Ramirez inquired if it would be helpful if the CBA would be more reasonable with expectations of getting through the cases.

Ms. Bowers responded that it would be appreciated, however consistent with its consumer protection mandate it is important that the CBA complete investigations as quickly as possible.

Ms. Berhow inquired about how Enforcement Division prioritizes the cases.

Mr. Ixta stated the Enforcement Division prioritizes complaints during the intake process, and those with the potential of ongoing consumer harm are given the highest priority.

VII. Committee and Task Force Reports.

A. Committee on Professional Conduct (CPC).

1. Report of the November 21, 2013 CPC Meeting.
2. Discussion on Accepting Academia as Qualifying Experience for CPA Licensure.

Mr. Savoy reported the CPC recommended that the CBA should accept academia experience towards the general accounting experience for CPA licensure. He stated that the CPC determined that teaching 48 semester units, or its equivalent, would be equivalent to one year of general experience. The classes taught must qualify for the education required by CBA Regulations section 9.2(b). He further stated the dean or department chair could sign off on experience acquired and the instruction must take place at an accredited institution that meets the CBA's existing requirements for accreditation.

It was moved by Ms. Salazar, seconded by Mr. Ramirez and unanimously carried by those present to recommend that the CBA move forward with legislation that allows for California to accept experience in academia as qualifying general experience and direct staff to use the discussion from the CPC meeting as a framework for crafting future regulations should the legislation become law.

B. Peer Review Oversight Committee (PROC).

1. Report of the November 1, 2013 PROC Meeting.

Ms. Corrigan reported that the PROC reviewed 52 peer review reports. The PROC did not have any findings or concerns regarding the oversight procedures of the CalCPA report acceptance body meeting. She stated that the first draft of the third annual peer review report was approved and will be presented at the March CBA meeting. Lastly, she stated the PROC received approval from NASBA to participate in the

conference calls conducted by NASBA's Committee Compliance Assurance Committee.

C. Enforcement Advisory Committee (EAC).

1. Report of the October 24, 2013 EAC Meeting.

Ms. Gerhardt reported that four investigative hearings were conducted, one matter was referred to the Attorney General's (AG) Office for preparation of an accusation, one concluded with additional investigation and possible referral to the AG's Office, one citation was issued and one was closed with no enforcement action. She further reported that the EAC reviewed sixteen closed cases and agreed with staff's closure on all of the cases. Lastly, she noted that one restated financial statement was reviewed and the EAC agreed an investigation should be opened.

D. Qualifications Committee (QC).

1. Report of the October 23, 2013 QC Meeting.

Mr. Eckley reported that two personal appearances were made, one was approved and one was deferred. He also noted that five Section 69 reviews were conducted with all being approved. Lastly, he noted that one dispute was heard with the QC agreeing with the firm.

2. Approval of 2014 QC Meeting Dates.

It was moved by Mr. Campos, seconded by Mr. Savoy and unanimously carried by those present to approve the 2014 QC meeting dates.

VIII. Acceptance of Minutes.

A. Draft Minutes of the September 26-27, 2013 CBA Meeting.

B. Minutes of the March 21, 2013 CPC Meeting.

C. Minutes of the July 31, 2013 QC Meeting.

D. Minutes of the July 11, 2013 EAC Meeting.

E. Minutes of the August 23, 2013 PROC Meeting.

It was moved by Mr. Elkins, seconded by Ms. Berhow and carried by those present to accept agenda items VIII.A.- VIII.E. Mr. Savoy abstained from approving the September CBA meeting minutes as he

was not present.

IX. 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.

Ms. Bowers stated she was reappointed for an additional year as a member of the Accountancy Licensee Database Task Force.

- b. Board Relevance & Effectiveness Committee.

X. Officer Elections.

- A. Secretary/Treasurer.

It was moved by Mr. Ramirez, seconded by Ms. Anderson and unanimously carried by those present to elect Ms. Salazar as Secretary/Treasurer of the CBA.

- B. Vice President.

It was moved by Mr. Kaplan, seconded by Mr. Savoy and unanimously carried by those present to nominate Mr. Leung and Mr. Campos for the position of Vice Chair. The result of the election was ten votes for Mr. Campos, one vote for Mr. Leung and two abstentions.

- C. President.

It was moved by Mr. Ramirez, seconded by Mr. Kaplan and unanimously carried by those present to elect Mr. Savoy as President of the CBA.

XI. 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.)

XII. NASBA Overview of Firm Mobility Exposure Draft.

Mr. Bishop, President and Chief Executive Officer, NASBA, presented information regarding firm mobility. He stated 16 states have firm mobility. Mr. Bishop stated the

exposure draft would have to be changed if a state was interested in firm mobility and not interested in changing the definition of attest. He stated firm mobility would allow a firm to perform audits without having a license with the visiting state, if the firm:

- Has practice privilege in their home state
- Is licensed in a substantially equivalent state
- Are enrolled in peer review in their home state
- Does not have a physical location in the visiting state
- Meet the ownership requirements of the UAA

He further stated that he recommended having legal counsel review the no escape section of the Uniform Accountancy Act Exposure Draft to ensure it provides the state with full authority over the visiting firm.

Ms. Anderson inquired about our authority if a consumer has a complaint about a visiting firm or individual.

Mr. Ixta stated that the CBA currently investigates the firm and the individual.

Mr. Bishop stated California has a no escape feature and he recommends if the exposure draft is not clear, the language should be changed.

Mr. Kaplan inquired if the change of the definition of attest would be an issue for the CBA.

Ms. Shellans stated the definition of attest would need to be analyzed during the review to determine its impact on California.

It was moved by Mr. Ramirez, seconded by Ms. Berhow that the CBA appoint two members to a taskforce for the purpose of reviewing the exposure draft and reporting back to the CBA. The motion was unanimously carried by those present. Mr. Campos and Mr. Savoy were assigned to the taskforce.

XIII. Presentation from CAMICO Insurance Representatives Regarding Leading Causes of Claims Against CPAs.

Ms. Werner, Loss Prevention Specialist, with CAMICO Insurance, presented information regarding this item. She stated the largest average claim size in dollar amounts are in audit, review and compilation. She reviewed CAMICO's frequency versus severity of claims. Ms. Werner further stated for each one hundred CAMICO insured firms, eight firms have a claim each year, of which four claims are settled. Lastly, she reviewed the common and avoidable claims.

XIV. Closing Business.

A. Public Comments.

There were no comments.

B. Agenda Items for Future CBA Meetings.

There was no comment.

C. Press Release Focus.

Ms. Pearce stated the topic for consideration for the press release was the new leadership and an announcement for recruiting members for the Mobility Stakeholder Group.

XV. Petition Hearings.

A. Michelle Vu Nguyen, Lic. CPA No. 92316-Petition for Reduction of Penalty.

The CBA members heard the petition for reduction of penalty for Michelle Vu Nguyen.

XVI. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA will Convene Into Closed Session to Deliberate on Disciplinary Matters (Petition for Reduction of Penalty.)

Adjournment.

President LaManna adjourned the meeting at 11:05 a.m. on Friday, November 22, 2013.

_____ Michael M. Savoy, CPA, President

_____ Katrina Salazar, CPA, Secretary-Treasurer

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



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CBA Item IX.B.
 March 20-21, 2014

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
January 23-24, 2014
CBA MEETING

DRAFT

Irvine Marriott
 18000 Von Karman Avenue
 Irvine, CA 92612
 Telephone: (949) 553-0100
 Fax: (949) 261-7059

Roll Call and Call to Order.

CBA President Michael Savoy called the meeting to order at 1:30 p.m. on Thursday, January 23, 2014 at the Irvine Marriott. The meeting recessed at 4:57 p.m. President Savoy reconvened the meeting at 9:01 a.m. on Friday, January 24, 2014 and the meeting adjourned at 9:52 a.m.

CBA Members

January 23, 2014

Michael Savoy, President	1:30 p.m. to 4:57 p.m.
Jose Campos, Vice President	1:30 p.m. to 4:57 p.m.
Katrina Salazar, Secretary-Treasurer	1:30 p.m. to 4:57 p.m.
Sarah (Sally) Anderson	1:30 p.m. to 4:57 p.m.
Diana Bell	1:30 p.m. to 4:57 p.m.
Alicia Berhow	1:30 p.m. to 4:07 p.m.
Herschel Elkins	1:30 p.m. to 4:57 p.m.
Laurence (Larry) Kaplan	1:30 p.m. to 4:57 p.m.
Louise Kirkbride	1:30 p.m. to 4:57 p.m.
Kay Ko	1:30 p.m. to 4:57 p.m.
Leslie LaManna	1:30 p.m. to 4:57 p.m.
K.T. Leung	1:30 p.m. to 4:57 p.m.
Manuel Ramirez	1:30 p.m. to 4:57 p.m.
Mark Silverman	1:30 p.m. to 4:57 p.m.

CBA Members

January 24, 2014

Michael Savoy, President	9:01 a.m. to 9:52 a.m.
Jose Campos, Vice President	9:01 a.m. to 9:52 a.m.
Katrina Salazar, Secretary-Treasurer	9:01 a.m. to 9:52 a.m.
Sarah (Sally) Anderson	9:01 a.m. to 9:52 a.m.
Diana Bell	9:01 a.m. to 9:52 a.m.
Alicia Berhow	Absent
Herschel Elkins	9:01 a.m. to 9:52 a.m.
Laurence (Larry) Kaplan	9:01 a.m. to 9:52 a.m.
Louise Kirkbride	9:01 a.m. to 9:52 a.m.
Kay Ko	9:01 a.m. to 9:52 a.m.
Leslie LaManna	9:01 a.m. to 9:52 a.m.
K.T. Leung	9:01 a.m. to 9:52 a.m.
Manuel Ramirez	9:01 a.m. to 9:52 a.m.
Mark Silverman	9:01 a.m. to 9:52 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Paul Fisher, Enforcement Supervising ICPA
Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Nicholas Ng, Administration Manager
Corey Riordan, Board Relations Analyst
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Legislation Analyst

Committee Chairs and Members

Katherine Allanson, Peer Review Oversight Committee (PROC) member
Nancy Corrigan, Chair, PROC
Jeffrey De Lyser, Vice Chair, Enforcement Advisory Committee (EAC)

Other Participants

Jason Fox, California Society of Certified Public Accountants (CalCPA)
Michael Morphew, Center for Public Interest Law (CPIL)
Hal Schultz, CalCPA

- I. Report of the President.
 - A. Resolutions for Retiring Qualifications Committee Members Carlos Aguila, Gary Bong and Michael Haas.

It was moved by Mr. Kaplan, seconded by Ms. Bell and unanimously carried by those present to approve the resolutions for retiring Qualifications Committee (QC) members Carlos Aguila, Gary Bong and Michael Haas.

B. Report on CBA Leadership Roundtable.

1. Training for New Committee Leadership.

Mr. Savoy provided an overview of the Leadership Roundtable. He stated Mr. Campos, Ms. Salazar and he met with the CBA Executive Team to discuss the planned legislative activities, CBA committee succession planning, and the goals and priorities for 2014. He further stated the CBA Leadership decided to hold a training for committee chairs and vice chairs.

Mr. Savoy stated during the training he discussed his expectations of the chair/vice chair roles. Mr. Savoy also stated the CBA will provide the training on an ongoing basis. He further stated Ms. Shellans, CBA Legal Counsel discussed many topics including how to conduct meetings in accordance with the Bagley-Keene Open Meeting Act.

2. Next Steps in Evaluating Attest Experience Requirement for CPA Licensure.

Mr. Savoy stated the CBA Leadership discussed the next steps the CBA will be taking in the continued exploration of the attest experience requirement. He stated that with the CBA's decision to not accept the Taskforce's recommendation to eliminate the attest experience requirement, leadership directed staff to begin securing a consultant to facilitate the data collection as it is related to California. Mr. Savoy further stated the CBA will be able to draw on the consultant's considerable experience and ensure a greater level of independence as it relates to data collection and final reporting findings. He also stated he has selected the Committee on Professional Conduct (CPC) to aid in the process of working with the consultant and establishing a plan for collecting data nationally.

Mr. Kaplan inquired about how the CBA will select a consultant.

Mr. Ng stated if the contract amount is less than \$250,000, a small business consultant could be selected from the Department of General Services list without having to advertise for bids. The steps would include drafting the scope of work, soliciting easily accessible contractors to determine if they would be able to perform the work and, after a contractor is chosen, finalizing the contract through DCA review.

Mr. Ramirez stated due to the highly political process, the consultant should have a good reputation with the Legislature so that the independent report will be considered meaningful.

Mr. Elkins inquired if the consultants will be formulating questions for out-of-state information.

Ms. Bowers stated the consultant will primarily work collecting data in-state regarding California licensees. She further stated the staff will work with outside stakeholders including the National Association of State Boards of Accountancy (NASBA) to collect out-of-state data.

C. Announcement of New Committee and Liaison Appointments.

Mr. Savoy stated the 2014 appointments to the CPC, the Enforcement Oversight Committee (EPOC), the Legislative Committee (LC), and the CBA liaisons have been made and are posted to the CBA website.

D. Overview of Upcoming Legislative Reports on Sunset Review and Peer Review.

Mr. Savoy provided an overview of this item. He stated the Sunset Review Report is required of all Department of Consumer Affairs (DCA) boards before renewing a board's statutory authority for continued existence. Mr. Savoy further stated following the submission of the report in 2015, the CBA President and Executive Officer will testify before the Legislature to answer questions regarding the CBA and its operations. He also noted that staff is expected to receive more details from the Legislature concerning the report in March or April and that the report will be due to the Legislature in fall of 2014.

Mr. Savoy also stated that a peer review report is due to the Legislature before January 1, 2015 and it is expected that many questions the Legislature will ask during the sunset review process will be about the peer review program. He further stated the Legislature has asked for some specific information to be provide in the peer review report and staff has began collecting the data needed to address these questions. Lastly, Mr. Savoy assigned the CPC to assist staff in the preparation of the report.

E. Proposed Comment Letter on the National Association of State Boards of Accountancy's (NASBA) and the American Institute of Certified Public Accountants' (AICPA) Firm Mobility Exposure Draft.

Mr. Savoy provided an overview of this item. He stated that the CBA directed Mr. Campos and himself to draft a comment letter in response to the Uniform Accountancy Act (UAA) firm mobility exposure draft.

Mr. Savoy stated with the information staff provided, it did not appear that there was much support from other state boards of accountancy for the exposure draft. He further noted after meeting with staff and using the information provided, he and Mr. Campos drafted a letter in opposition to the exposure draft. Mr. Savoy stated the proposed opposition was mainly due to the fact that the CBA's practice privilege program is new and the changes to such a key portion are premature. He also noted that if adopted, the exposure draft would eliminate the registration process for out-of-state accounting firms who perform certain attest functions for California-headquartered entities.

It was moved by Mr. Elkins, seconded by Ms. Anderson and unanimously carried by those present to adopt the proposed comment letter and direct staff to send it to the appropriate parties. Ms. Berhow was temporarily absent.

F. DCA Director's Report.

There was no report for this item.

II. Report of the Vice President.

A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee (EAC).

There was no report on this item.

B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee (QC).

There was no report on this item.

C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report on this item.

III. Report of the Secretary/Treasurer.

A. Discussion of Governor's Budget.

Ms. Salazar provided overview of this item. She stated on January 9, 2014 Governor Brown presented the proposed budget for Fiscal Year (FY) 2014-2015. Ms. Salazar further stated the CBA is waiting for the budget to go through the legislative process.

Mr. Ramirez inquired if there was any intention to repay the outstanding loans to the CBA now that there appears to be a surplus.

Mr. Ng stated the 2014-2015 budget did not contain any language regarding loan repayment; however, given the additional expenditures the CBA will incur, the reserves will mostly likely be exhausted and at such time the Department of Finance will consider repayment of the loans.

Ms. Bowers stated that there is a proposed repayment plan which includes the target dates of repayment. She further stated she believed the intention is that those with the greatest need will be repaid first.

Mr. Ramirez inquired if the CBA could lobby for language for repayment to be included in a bill.

IV. Report of the Enforcement Advisory Committee, Qualifications Committee and Peer Review Oversight Committee.

A. Enforcement Advisory Committee (EAC).

1. Report of the December 12, 2013 EAC Meeting.

Mr. De Lyser reported that the EAC reviewed 12 closed cases and agreed with the closure on all cases. He stated one open case was reviewed, which concluded with the recommendation that a citation be issued. He further stated that two investigative hearings were conducted, one concluded with a recommendation to refer the case to the Attorney General's (AG) Office for the preparation of an accusation and the other concluded with a recommendation for a citation.

B. Qualifications Committee (QC).

1. Report of the January 22, 2014 QC Meeting.

Mr. Franzella reported that one personal appearance and 14 Section 69 appearances were conducted resulting in the recommendation to approve 11 for CPA Licensure and defer four appearances.

C. Peer Review Oversight Committee (PROC).

There was no report on this item.

V. Report of the Executive Officer (EO).

A. Update on Locations for 2014 CBA Meetings.

Ms. Riordan provided an overview of this item. She stated that staff was unable to secure a March meeting location in Northern California and, as a result, needed to relocate the meeting to Southern California.

Ms. Riordan stated the CBA staff has secured the Hilton Pasadena for the March meeting and is working on securing a location in Northern California for the July and November meetings.

Ms. Bell expressed her concern for continuing to secure three meeting locations in Northern California.

Ms. Bowers stated the CBA was not planning on adjusting the locations of the remaining 2014 meeting dates; however, if the CBA would like to suggest a change staff will adjust the plan accordingly. Ms. Bowers further stated that the CBA has secured approval to include a conference room when it relocates. The conference room will be large enough to accommodate the Northern California CBA meetings in the future.

Mr. Ramirez agreed with Ms. Bell that the CBA meeting locations should remain equally divided between Northern and Southern California.

Mr. Campos suggested searching for a Northern California meeting location for the September CBA meeting.

B. Update on Staffing.

There was no report for this item.

C. Review and Approval of Proposed Changes to the CBA Member Guidelines and Procedures Manual.

Ms. Pearce provided an overview of this item and she highlighted some of the substantial changes.

Mr. Campos suggested using the language from page 7 regarding the CBA meetings for the MSG meeting language.

Ms. Shellans stated the language used in regards to the CBA meeting locations provides clarity to the legal requirement for meeting locations, but does not prohibit the meetings to one time per year in Northern California.

Ms. Bell stated she agreed with the inclusion of the legal reference, however she wanted the CBA to discuss if the intent was to adjust the meeting locations for its current, three in Northern California and three in Southern California.

Mr. Ramirez stated he prefers the flexibility of the current language with the intention of alternating between locations, as it allows for the President to make changes when necessary.

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

unanimously carried by those present to accept the recommended changes to the Guidelines and Procedures Manual including legal counsel's suggestions.

D. Update on Practice Privilege Program.

Mr. Franzella provided an overview of this item. He reviewed the activities of eight items associated with the ongoing implementation of the new provisions which included legislation, rulemaking activities, outreach, website, reviews of other governmental agencies, out-of-state accounting firm registration, reports to various stakeholders, and the Mobility Stakeholder Group.

E. Report on Implementation of Fingerprint Requirement.

Mr. Franzella provided an update on this item. Mr. Franzella reported that the implementation components focus on outreach and compliance verification.

F. Update on the CBA 2013-2015 Communications and Outreach Plan.

Mr. Kaplan inquired about what the CBA has posted on Pinterest.

Ms. Bowers stated the report provides a summary of the items on Pinterest, which include pins from the CBA favorite boards, accounting humor and aspirational pins.

VI. Committee Reports.

A. Committee on Professional Conduct.

1. Report of the January 23, 2014 CPC Meeting.
2. Discussion Regarding Initiating a Rulemaking to Amend Title 16, California Code of Regulations Section 19 (Practice Privilege Forms for Individuals).

Mr. Campos reported at the CPC meeting, members discussed the proposed regulatory language to implement the new requirement for practice privilege holders to report pending criminal charges to the CBA. Mr. Campos stated that the CPC recommended that the CBA should approve the language and direct staff to initiate the rulemaking process.

It was moved by Mr. Campos, seconded by Ms. Anderson and unanimously carried by those present to approve the language and direct staff to initiate the rulemaking process. Mr. Leung was temporarily absent.

B. Legislative Committee (LC).

1. Report of the January 23, 2014 LC Meeting.
2. Discussion Regarding Legislative Proposals for Inclusion in the Annual Omnibus Bill.

Mr. Kaplan reported that the LC discussed two proposed changes to the Accountancy Act for inclusion in the Senate's Business and Professions annual omnibus legislation. He stated that the first proposal would correct a drafting error, moving a requirement that presently does not take effect until January 1, 2019 into the section of the practice privilege provisions that took effect July 1, 2013. The provision requires the CBA to consult the websites of the Public Company Accounting Oversight Board and Securities Exchange Commission every six months. Mr. Kaplan further stated that the second proposal clarifies that only those individuals exercising practice privilege would be required to report, in writing, pending criminal charges within 30 days.

It was moved by Mr. Kaplan, seconded by Ms. Salazar to approve the LC's recommendation to approve the proposals for inclusion in the omnibus bill.

Mr. Elkins requested a change be made to read "at least every six months".

After deliberation the motion failed.

It was moved by Mr. Kaplan, seconded by Mr. Ramirez and unanimously approved by those present to adopt the LC's recommendation to approve the proposals for inclusion in the omnibus bill with the change from "on a every six-month basis" to "not less frequently than every six months" in the Business and Professionals Code section 5096.4.

3. Discussion and Possible Recommendation Regarding Sponsorship of Legislation to Collect Email Addresses from Licensees.

Mr. Kaplan reported that the LC discussed a legislative proposal to collect licensees' email addresses. He further stated the proposed language is permissive which means regulations would be required to implement the law. Lastly, Mr. Kaplan stated the language would require the licensee to update their email address at the time of renewal and would the exempt the emails from public record.

Ms. Kirkbride expressed her concern that requiring licensees to

provide a valid email address is not enforceable.

Mr. Ramirez stated he supported the collection of email addresses, as we could use the email address as an additional form of communication.

It was moved by Mr. Kaplan, seconded by Mr. Ramirez and unanimously carried by those present to approve the proposed language and direct staff to seek its inclusion in the annual omnibus bill or, if not possible, sponsor the language as a separate bill.

4. Approval of Proposed Legislative Language Regarding Acceptance of Academia Experience to Qualify for CPA Licensure.

Mr. Kaplan stated that the LC discussed staff-proposed legislative language allowing experience earned in academia to qualify towards the general experience requirement for CPA licensure. He stated the proposal permissively allows the CBA, by regulation, to allow experience gained in academia to qualify as general experience for licensure.

It was moved by Mr. Kaplan, seconded by Ms. Berhow, and unanimously carried by those present to approve the proposed language and direct staff to seek its inclusion in the annual omnibus bill or, if not possible, sponsor the language as a separate bill.

5. Overview of the Legislative Process and the Legislative Committee's Role (Written Report Only).

There were no comments on this item.

C. Enforcement Program Oversight Committee (EPOC).

1. Report of the January 23, 2014 EPOC Meeting.
2. Discussion of Recommended Changes to the Disciplinary Guidelines and Model Orders Regarding Changes to Business and Professions Code Section 5096(e)(10) – Notification of Pending Criminal Charges for Practice Privilege Holders.

Ms. Berhow stated that the EPOC discussed the proposed changes to the disciplinary guidelines and model orders in regards to notification of pending criminal charges for practice privilege holders. Ms. Berhow stated the EPOC discussed whether tolling of probation should be included as a standard condition of probation. Mr. Ixta pointed out

that the proposed disciplinary guidelines did not include tolling as a standard term of probation, as the change is for practice privilege holders. She further stated the EPOC tabled the agenda item and directed staff to provide additional information regarding how enforcement staff will monitor out-of-state practice privilege holders who are on probation.

Mr. Ramirez inquired if revocation is required to be a statement in the probationary order.

Ms. Shellans stated the Administrative Procedure Act provides the CBA with the authority to place a licensee on probation. She also stated the Act states the authority is to issue an order, stay it, and place a licensee on probation with terms and conditions. Ms. Shellans further stated revocation or suspension is used to legally implement the probation.

VII. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Mr. Franzella provided an overview of this item. He stated that the Initial Licensing Unit has experienced an increase in activities due to the new educational requirements.

Mr. Elkins inquired if the title customer service could be changed, as legislation has determined the customer to be the public.

Mr. Savoy suggested the term applicant/customer service be used for the report.

Mr. Elkins agreed with Mr. Savoy's suggestion.

Mr. Franzella noted the applications for initial CPA licensure for the present fiscal year have almost doubled when compared to the same time period in the prior fiscal year. Mr. Franzella noted this is due mainly to individuals submitting applications before the new requirements began on January 1, 2014.

VIII Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Ixta provided an overview of this item. He stated Enforcement had received 2,127 complaints, assigned 2,050 and closed 50 with no action. He stated the workload has increased by about six percent possibly due to referrals from renewals. He further stated 1,953 cases were closed, 598 cases are pending, with 53 at the Attorney General's Office. Mr. Ixta

noted that Enforcement has issued 1,500 citations with 1,481 of the citations being issued for failure to respond to the CBA inquiries regarding peer review.

Mr. Ramirez inquired what the fee amount is for licensees that do not respond but are not subject to peer review.

Mr. Ixta stated that after the CBA sends three letters, the licensee is fined \$250 for failing to respond.

Mr. Campos suggested that the report note probationers who reside out of California.

IX. Acceptance of Minutes

A. Draft Minutes of the November 21-22, 2013 CBA Meeting.

B. Minutes of the November 21, 2013 CPC Meeting.

C. Minutes of the October 23, 2013 QC Meeting.

D. Minutes of the October 24, 2013 EAC Meeting.

E. Minutes of the July 25, 2013 LC Meeting.

F. Minutes of the September 26, 2013 EPOC Meeting.

It was moved by Mr. Ramirez, seconded by Ms. Anderson and carried by those present to accept the minutes of agenda items IX.B-IX.F and directed staff to provide the edited November 2013 CBA meeting minutes at the next CBA meeting. Ms. Ko and Mr. Silverman abstained.

X. Other Business.

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

There was no report on this item.

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

1. Update on NASBA Committees.

a. Accountancy Licensee Database Task Force.

There was no report on this item.

b. Board Relevance & Effectiveness Committee.

There was no report on this item.

2. NASBA's Request for Vice Chair Recommendations for 2014-2015.

It was moved by Ms. LaManna, seconded by Mr. Ramirez and unanimously carried by those present to recommend Ms. Gray as Vice Chair of NASBA for 2014-2015.

C. Proposed Responses to NASBA Focus Questions.

Ms. Riordan provided an overview of this item.

Mr. Campos suggested including an update on question number four to include fingerprinting, peer review, MSG, and academic experience.

XI. Closing Business.

A. Public Comments.

There were no comments.

B. Agenda Items for Future CBA Meetings.

Ms. Kirkbride suggested the CBA provide an overview on how repayment of the loan would affect the CBA.

Ms. Savoy suggested an educational presentation regarding the enforcement process as a future topic.

C. Press Release Focus.

Ms. Pearce stated the topics for consideration include the continued evaluation of the attest experience requirement and the planned legislative items.

XII. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements and Reconsideration of Board's Decision.)

Adjournment.

President Savoy adjourned the meeting at 9:52 a.m. on Friday, January 24, 2014.

_____ Michael M. Savoy, CPA, President

_____ Katrina Salazar, CPA,
Secretary-Treasurer

Corey Riordan, 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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**CPC Item I.**

March 20, 2014

CBA Item IX.C.

March 20-21, 2014

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

MINUTES OF THE
January 23, 2014
COMMITTEE ON PROFESSIONAL CONDUCT MEETING

DRAFT

Irvine Marriott
 18000 Von Karman Avenue
 Irvine, CA 92612
 (949) 553-0100

CALL TO ORDER

Jose Campos, Chair, called the meeting of the Committee on Professional Conduct (CPC) to order at 10:44 a.m. Mr. Campos requested that the role be called.

Present

Jose Campos, Chair
 Sarah (Sally) Anderson
 Larry Kaplan
 Leslie LaManna
 K. T. Leung
 Katrina Salazar
 Mark Silverman

CBA Members Observing

Diana Bell
 Alicia Berhow
 Herschel Elkins
 Louise Kirkbride
 Kay Ko
 Manuel Ramirez
 Michael Savoy, President

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer

Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Paul Fisher, Supervising Investigative CPA
Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Nick Ng, Administration Manager
Corey Riordan, Board Relations Analyst
Kristy Shellans, Senior Staff Counsel, DCA Legal Affairs
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Legislation Analyst

Other Participants

Nancy Corrigan, Chair, Peer Review Oversight Committee
Jeffrey De Lyser, Vice-Chair, Enforcement Advisory Committee
Jason Fox, California Society of CPAs (CalCPA)
Pilar Onate-Quintana, KP Public Affairs
Hal Schultz, CalCPA

I. Approve Minutes of the November 21, 2013 CPC Meeting

It was moved by Mr. Leung, seconded by Ms. Kirkbride and carried unanimously to accept the minutes of the November 21, 2013 CPC meeting.

II. Discussion Regarding Initiating a Rulemaking to Amend Title 16, California Code of Regulations Section 19 (Practice Privilege Forms for Individuals).

Mr. Stanley stated that Senate Bill 822 of 2013 created a new reporting requirement for practice privilege holders regarding pending criminal charges. He discussed proposed regulatory language to add a form into regulation on which practice privilege holders would report their pending criminal charges.

It was moved by Ms. Anderson, seconded by Ms. LaManna, and carried unanimously to recommend that the CBA approve the proposed language and form and direct staff to initiate the rulemaking process.

III. Public Comments

No Public Comments were received

IV. Agenda Items for Next Meeting

No agenda items were identified.

There being no further business, the meeting was adjourned at 10:48 a.m.



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EPOC Item I.
March 20, 2014

CBA Item IX.D.
March 20-21, 2014

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

**MINUTES OF THE
January 23, 2014
EPOC MEETING**

DRAFT

Irvine Marriott
18000 Von Karman Avenue
Irvine, CA 92612
(949) 553-0100

CALL TO ORDER

Alicia Berhow, Chair, called the meeting of the Enforcement Program Oversight Committee (EPOC) to order at 10:50 a.m. on Thursday, January 23, 2014 at the Irvine Marriott. Ms. Berhow requested that the roll be called.

Present

- Alicia Berhow, Chair
- Diana Bell
- Jose Campos
- Herschel Elkins
- Kitak Leung
- Kay Ko
- Louise Kirkbride

CBA Members Observing

- Sarah (Sally) Anderson
- Laurence (Larry) Kaplan
- Leslie LaManna
- Manuel Ramirez
- Katrina Salazar
- Michael Savoy
- Mark Silverman

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer

Deanne Pearce, Assistant Executive Officer

Rich Andres, Information Technology Staff

Paul Fisher, Enforcement Supervising ICPA

Dominic Franzella, Chief, Licensing Division

Rafael Ixta, Chief, Enforcement Division

Nicholas Ng, Administration Manager

Corey Riordan, Board Relations Analyst

Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)

Matthew Stanley, Regulation Analyst

Other Participants

Carl Sonne, Deputy Attorney General

- I. Approve Minutes of the September 26, 2013 EPOC Meeting

It was moved by Mr. Elkins, seconded by Ms. Bell and carried unanimously to approve the minutes of the September 26, 2013 EPOC Meeting.

- II. Discussion of Recommended Changes to the Disciplinary Guidelines and Model Orders Regarding Changes to Business and Professions Code Section 5096(e)(10) – Notification of Pending Criminal Charges for Practice Privilege Holders

Mr. Ixta began by detailing the origin of the need for the disciplinary guideline. Senate Bill 822 added subsection 10 to Business and Professions Code (BPC) section 5096(e), which requires any person exercising a practice privilege to notify the CBA of any pending criminal charges. He continued that 5096(g) requires that any person who violates BPC section 5096(e) or 5096(f) may not practice in California for a period of one year. Mr. Ixta explained that the disciplinary guideline was written to conform with BPC section 5096(g), with the minimum penalty being a one year suspension from practicing in California, and that it was consistent with the other violations related to 5096(e).

It was moved by Mr. Leung, and seconded by Ms Bell to adopt the guideline as presented.

Ms. Kirkbride asked Mr. Ixta why the guideline seemed very broad, given that a person could be ordered to serve three years probation, or have their practice privilege revoked.

Mr. Ixta explained that the discipline is ordered based on the individual facts and circumstances of the case, with evidence for mitigation and aggravating circumstances included in the discipline.

There was discussion related to the definition of tolling, and how it would relate to a practice privilege holder. The concern was that if a practice privilege holder was disciplined, and that order included a tolling clause, that person would never complete probation.

Ms. Shellans explained that the licensee is free to petition the CBA for a reduction in probation should their disciplinary order include a tolling clause, or the disciplinary guidelines could be modified to state tolling should not be included for licensees that live out of state.

Mr. Ixta pointed out to the committee that the proposed required conditions of probation omit the tolling clause.

The motion to adopt the guideline as presented was withdrawn.

It was moved by Ms. Kirkbride, seconded by Mr. Campos, and carried unanimously to table the agenda item for the next meeting.

The committee requested staff present an overview of the probation monitoring process, for out-of-state probationers at the next EPOC meeting.

III. Public Comments

No public comments were received.

IV. Agenda Items for next meeting

Staff will present an overview of the probation monitoring process, and how licensees who live out of state will be monitored.

There being no further business, the meeting was adjourned at 11:19 a.m.



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LC Item I.
March 20, 2014

CBA Item IX.E.
March 20-21, 2014

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

MINUTES OF THE
January 23, 2014
LEGISLATIVE COMMITTEE MEETING

DRAFT

Irvine Marriott
18000 Von Karman Avenue
Irvine, CA 92612
(949) 553-0100

CALL TO ORDER

Larry Kaplan, Chair, called the meeting of the Legislative Committee (LC) to order at 10:16 a.m. Mr. Kaplan requested that the role be called.

Present

- Larry Kaplan, Chair
- Sarah (Sally) Anderson
- Diana Bell
- Alicia Berhow
- Leslie LaManna
- Manuel Ramirez
- Katrina Salazar

CBA Members Observing

- Jose Campos
- Herschel Elkins
- Louise Kirkbride
- Kay Ko
- K.T. Leung
- Michael Savoy, President
- Mark Silverman

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Paul Fisher, Supervising Investigative CPA
Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Nick Ng, Administration Manager
Corey Riordan, Board Relations Analyst
Kristy Shellans, Senior Staff Counsel, DCA Legal Affairs
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Legislation Analyst

Other Participants

Nancy Corrigan, Chair, Peer Review Oversight Committee
Jeffrey De Lyser, Vice-Chair, Enforcement Advisory Committee
Jason Fox, California Society of CPAs (CalCPA)
Pilar Onate-Quintana, KP Public Affairs
Hal Schultz, CalCPA

- I. Approve Minutes of the July 25, 2013 LC Meeting

It was moved by Ms. Anderson, seconded by Mr. Ramirez and carried unanimously to accept the minutes of the July 25, 2013 LC meeting.

- II. Discussion Regarding Legislative Proposals for Inclusion in the Annual Omnibus Bill.

Mr. Stanley explained that every year staff submits proposals for non-controversial changes to the Accountancy Act for inclusion in the omnibus bill, and that staff had submitted two proposals that met this criteria. The first proposal corrects a drafting error in the practice privilege law. The provision that requires the CBA to review the PCAOB and SEC websites every six months for disciplinary matters was placed in a section of the law that does not become operative until 2019. It was intended to be a part of current law, and, therefore, this proposal moves the provision to the correct section.

Mr. Stanley continued to explain that the second proposal clarifies a change made to the practice privilege law last year requiring practice privilege holders to report pending criminal charges to the CBA. As this could be interpreted as meaning any licensee, regardless of whether they ever intend to practice in California, the proposal clarifies that it only applies to those exercising the practice privilege. In addition, it would give them 30 days to report in writing.

It was moved by Ms. Anderson, seconded by Ms. Bell, and carried unanimously to recommend that the CBA approve the proposals to be included in the omnibus bill.

III. Discussion and Possible Recommendation Regarding Sponsorship of Legislation to Collect Email Addresses from Licensees.

Mr. Stanley presented a legislative proposal to give the CBA the authority to collect licensee's email addresses. The proposed language is permissive and would require implementing regulations. The licensee would only need to update their email address at the time of renewal. The language stipulates that the emails be kept private.

It was moved by Mr. Ramirez, seconded by Ms. Anderson, and carried unanimously to recommend that the CBA approve the proposed language and direct staff to seek its inclusion in the annual omnibus bill or, if not possible, sponsor the language as a separate bill.

IV. Approval of Proposed Legislative Language Regarding Acceptance of Academia Experience to Qualify for CPA Licensure.

Mr. Stanley indicated that legislative language had been prepared based on the CBA's direction in its November 2013 meeting that experience in academia be able to be applied towards the general experience requirement for CPA licensure. In addition, the language is broad allowing for specifics to be addressed through regulation.

It was moved by Mr. Ramirez, seconded by Ms. Berhow, and carried unanimously to recommend that the CBA approve the proposed language and direct staff to seek its inclusion in the annual omnibus bill or, if not possible, sponsor the language as a separate bill.

V. Public Comments

No Public Comments were received

VI. Agenda Items for Next Meeting

No agenda items were identified.

There being no further business, the meeting was adjourned at 10:34 a.m.

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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
ENFORCEMENT ADVISORY COMMITTEE (EAC)

CBA Item IX.F.
March 20-21, 2014

MINUTES OF THE
DECEMBER 12, 2013
EAC MEETING

Westin San Diego
 400 West Broadway
 San Diego, CA 92101
 Telephone: (619) 358-6676

I. Roll Call and Call to Order.

The regularly scheduled meeting of the EAC was called to order at 9:00 a.m. on December 12, 2013 by EAC Vice-Chair, Mary Rose Caras.

Enforcement Advisory Committee

Cheryl Gerhardt, Chair	10:30 a.m. to 1:00 p.m.
Mary Rose Caras, Vice Chair	9:00 a.m. to 3:00 p.m.
Joe Buniva	9:00 a.m. to 3:00 p.m.
Gary Caine	9:00 a.m. to 3:00 p.m.
Nancy Corrigan	9:00 a.m. to 3:00 p.m.
Jeffrey DeLyser	9:00 a.m. to 1:00 p.m.
Bill Donnelly	Absent
Robert A. Lee	9:00 a.m. to 1:00 p.m.
Mervyn McCulloch	9:00 a.m. to 1:00 p.m.
James Rider	9:00 a.m. to 1:00 p.m.
Joseph Rosenbaum	9:00 a.m. to 3:00 p.m.
Seid Sadat	9:00 a.m. to 1:00 p.m.
Michael Schwarz	9:00 a.m. to 3:00 p.m.

Staff and Legal Counsel

Rafael Ixta, Enforcement Chief
 Paul Fisher, Supervising Investigative CPA
 Allison Nightingale, Enforcement Secretary
 Kay Lewis, Investigative CPA
 Carl Sonne, Deputy Attorney General, Department of Justice

Other Participants

Herschel Elkins, CBA Liaison

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 (B&P) Code section 5020. EAC members convened into closed session at 9:02 a.m. and reconvened into open session at 10:30 a.m.

III. Report of the Committee Chair.

A. Approval of the October 24, 2013 EAC Meeting Minutes.

It was moved by Mr. Schwarz, seconded by Ms. Corrigan, and unanimously carried to approve the minutes of the October 24, 2013 EAC meeting.

The minutes for this meeting will be submitted to the CBA members for review and adoption at the next CBA meeting.

B. Report of the November 21-22, 2013 CBA Meeting.

Ms. Gerhardt attended the November 21-22, 2013 CBA meeting. She reported that the CBA members approved the Resolution for retiring EAC member, Jim Rider, for serving on the EAC. She also reported that she was re-appointed as Chair of the EAC and EAC member Jeff DeLyser was appointed as Vice-Chair to the EAC. The term of the re-appointment and appointment is from January through December 31, 2014.

Ms. Gerhardt also reported on an educational presentation given by guest speakers Patricia Hartman of National Association of State Boards of Accountancy (NASBA), Michael Decker of American Institute of CPAs (AICPA), and Kimberly Farace of Prometric regarding the Uniform CPA Examination. She reported that 98 percent of the candidates are satisfied with the CPA Exam process. The candidates sign a confidentiality agreement before taking the CPA exam. Prometric monitors the internet for test banks.

IV. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Ixta provided an overview of the report. Mr. Ixta reported that the Enforcement Division received 1,946 complaints in fiscal year (FY) 2013/14 and assigned 1,894 for investigation. The increase in complaints received is due to the Peer Review Program preparing to issue citations and fines to the final group of licensees who failed to respond to the CBA regarding the required Peer Review Reporting Form. Currently there are 2,029 investigations pending. EAC member Gary Caine stated that given the high number of investigations pending, the EAC members may be used to review the investigations and provide assistance to enforcement staff. Mr. Ixta welcomed the recommendation and stated that appropriate investigations will be brought to the January 30, 2014 EAC meeting for the EAC members to review and recommendation. The report was provided in the EAC packets.

V. Other Business.

A. Report of the November 21, 2013 Committee on Professional Conduct (CPC) Meeting.

Mr. Elkins gave an overview of the CPC meeting. He reported the CPC discussed the possibility of allowing academia to be accepted for qualifying general accounting experience toward CPA licensure. He stated the CPC also explored how the academia experience should be calculated and who would be authorized to sign off on the experience forms.

During its deliberations, the CPC agreed that 48 teaching semester hours, or its equivalent, would equate to one year of general experience. The CPC also agreed that a dean or department head should be allowed to sign off on the experience.

The CPC recommended that the CBA move forward with legislation that would allow experience in academia to be qualifying and that staff be directed to utilize the CPC's discussions as a framework for a future regulation to implement the legislation should it pass.

VI. Public Comments for Items Not on the Agenda.

Mr. Ixta stated that there are vacancies in many of the CBA committees and that the CBA leadership requested EAC members to encourage their colleagues to apply to serve on one or more of the CBA committees.

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 January 30, 2014 at the Doubletree by Hilton Berkeley Marina.

Having no further business to conduct, the EAC general meeting adjourned at approximately 11:16 a.m. to reconvene in closed session at 1:00 p.m.



Cheryl Gerhardt, CPA, Chair
Enforcement Advisory Committee

Prepared by: Allison Nightingale, Enforcement Secretary



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CBA Item IX.G.
 March 20-21, 2014

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

**MINUTES OF THE
 NOVEMBER 1, 2013
 PROC MEETING**

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

I. Roll Call and Call to Order.

PROC Chair Nancy Corrigan called the meeting to order at 10:00 a.m. on Friday, November 1, 2013. The meeting adjourned at 12:10 p.m.

PROC Members:

Nancy Corrigan, Chair	10:00 a.m. – 12:10 p.m.
Robert Lee, Vice Chair	10:00 a.m. – 12:10 p.m.
Katherine Allanson	10:00 a.m. – 12:10 p.m.
Jeffrey DeLyser	10:00 a.m. – 12:10 p.m.
Sherry McCoy	10:00 a.m. – 12:10 p.m.
Seid M. Sadat	10:00 a.m. – 12:10 p.m.

Staff:

Patti Bowers, Executive Officer
 Rafael Ixta, Chief, Enforcement Division
 Sara Narvaez, Enforcement Manager
 April Freeman, Peer Review Analyst
 Alice Tran, Peer Review Analyst

Other Participants:

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

II. Report of the Committee Chair.

A. Approval of August 23, 2013 Minutes.

Ms. Corrigan asked if members had revisions to the minutes of the August 23, 2013 PROC meeting.

Members did not have revisions to the minutes.

It was motioned by Robert Lee, seconded by Seid Sadat, and unanimously carried by those present to adopt the minutes of the August 23, 2013 PROC meeting.

B. Report on the September 26-27, 2013 CBA Meeting.

Ms. Corrigan attended the September 26-27, 2013 CBA meeting. She informed CBA members that staff was developing a checklist to provide oversight to out-of-state administering entities, which accepted peer reviews of California-licensed firms. Staff identified four states that accepted more than ten peer reviews of California-licensed firms. Those states were Nevada, New York, Oregon, and Texas.

Ms. Corrigan advised CBA members of the PROC's plan to submit a letter to the American Institute of Certified Public Accountants (AICPA). The letter is intended to inform the AICPA of the PROC's oversight of out-of-state administering entities. She also informed CBA members of the PROC's letter to the National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee (CAC). The letter requested information regarding the CAC's oversight reports of the National Peer Review Committee (NPRC).

Ms. Corrigan advised PROC members that she and Mr. Sadat were working on a task force to summarize volunteer surveys submitted by licensees at the time they reported their peer review information.

Ms. Corrigan also advised PROC members that the taskforce to examine experience for CPA licensure (Taskforce) voted 5-4 recommending to the CBA to eliminate the 500-hours attest requirement for licensure. Given that the vote was very close, the CBA decided to conduct further research on this matter. Mr. Ixta stated that the Taskforce also discussed accepting academia as qualifying experience. The topic will be further discussed at the November 21-22, 2013 CBA meeting.

III. Report on PROC Activities.

A. Report on the September 24, 2013 Report Acceptance Body Meeting.

Ms. McCoy and Ms. Corrigan participated in the September 24, 2013 Report Acceptance Body (RAB) meeting by phone. Ms. McCoy stated that the information and statistics observed at the meeting were consistent with past observations. Ms. McCoy also thanked staff for preparing the fillable RAB oversight checklist.

Mr. Lee suggested that the CBA notify new licensees about the requirement to complete a peer review within 18-months after they complete services subjecting them to a peer review (California Code of Regulation, Title 16, Section 40(b)). Mr. Ixta advised members that staff will review the information provided to new licensees and report back at the next PROC meeting.

B. Assignment of Future PROC Activities.

Ms. Corrigan confirmed the following assignments:

- November 21-22, 2013, CalCPA PRC Meeting – Robert Lee and Jeffrey DeLyser
- November 21-22, 2013, CBA Meeting – Nancy Corrigan
- January 22, 2014, 2:00 p.m. CalCPA RAB Meeting (Glendale) – Katherine Allanson
- January 23-24, 2014, CBA Meeting – Nancy Corrigan
- January 27, 2014, AICPA PRB Meeting – Nancy Corrigan and Jeffrey DeLyser
- January 31, 2014, PROC Meeting – PROC Members
- March 19, 2014, 2:00 p.m. CalCPA RAB Meeting (Glendale) – Sherry McCoy
- March 20-21, 2014, CBA Meeting – Nancy Corrigan
- May 2, 2014, PROC Meeting – PROC Members (Sherry McCoy as Vice Chair)
- May 13, 2014, AICPA PRB Meeting – Nancy Corrigan and Seid Sadat
- May 22-23, 2014, CalCPA PRC Meeting (Dana Point) – Katherine Allanson and Seid Sadat
- May 29-30, 2014 CBA Meeting – Nancy Corrigan and Sherry McCoy

Ms. Corrigan assigned Mr. DeLyser and Ms. Allanson to review out-of-state administering entities. Staff will send the website links for the out-of-state oversight reports to the assigned members. Ms. Corrigan requested that the assigned members complete the out-of-state oversight checklist by December 31, 2013.

Assignments:

- Nevada: Jeffrey DeLyser
- Texas: Jeffrey DeLyser
- Oregon: Katherine Allanson
- New York: Katherine Allanson

IV. Reports and Status of Peer Review Program.

A. Updates on Peer Review Reporting Forms Received and Correspondence to Licensees.

Ms. Freeman reported that as of September 24, 2013, 60,655 peer review reporting forms were submitted to the CBA.

Ms. Freeman advised members that on September 1, 2013, 4,146 letters were mailed to phase three licensees who had not met their July 1, 2013 peer review reporting obligation. Licensees who had not reported by September 30, 2013 would be subject to a citation and fine. Staff will send out approximately 1,500 citations on November 12, 2013.

Ms. Freeman informed members that the Licensing Division mailed a letter to 33,500 licensees the week of September 23, 2013. The letter addressed regulatory changes taking effect January 1, 2014. The changes include the new fingerprinting requirement, peer review reporting, and changes to the Fraud continuing education requirement.

Ms. Freeman also stated that licensees would be required to submit their Peer Review Reporting Form with their license renewal beginning January 1, 2014. Mr. Ixta advised

that the Renewal Unit would review the reporting forms, and refer deficiencies to the Enforcement Division for potential enforcement action.

B. Status of PROC Roles and Responsibilities Activity Tracking.

Ms. Freeman stated that the activity tracking chart for 2013 was updated to capture recently attended activities and upcoming events.

V. Report of the Enforcement Chief.

A. Development of the 2013 Annual Report to the CBA.

Mr. Ixta gave a summary of the revisions to the 2013 Annual Report to the CBA and requested feedback from members.

Members offered various edits to the Annual Report, including adding reference to the end of the phase-in period and the submission of the Peer Review Reporting Form with the renewal forms beginning January 2014.

Mr. Ixta advised members to submit their comments regarding the 2013 Annual Report to staff by the end of November in order to have an updated version for the next PROC meeting.

B. Discussion Regarding the PROC Oversight Checklist on Out-of-State Administering Entities.

Mr. Ixta gave a summary of the revisions to the PROC Oversight Checklist on Out-of-State Administering Entities (AEs) and requested feedback from members. He informed members that staff eliminated the "Evaluation of the State's Peer Review Oversight Committee" section since out-of-state PROCs might be administering rules and regulations different from California.

Ms. McCoy requested that the footnote be revised to read "A rating of 'Does Not Meet Expectations' requires a comment."

Mr. Lee requested question 11 to be added back to the checklist.

It was motioned by Katherine Allanson, seconded by Robert Lee, and unanimously carried by those present to accept the PROC Oversight Checklist on Out-of-State Administering Entities with revisions.

C. Discussion of the PROC Letter to the American Institute of Certified Public Accountants Regarding the Oversight of Out-of-State Administering Entities.

Mr. Ixta reviewed and requested feedback on the draft PROC letter to the AICPA regarding the oversight of out-of-state AEs.

Ms. Corrigan suggested that the term "As you know" be added to the second sentence of the second paragraph. She also suggested that the term "you are welcome to submit" be changed to "I welcome you to submit."

Mr. Lee suggested that Nancy Corrigan be added as a contact in addition to Rafael Ixta.

It was motioned by Seid Sadat, seconded by Jeffrey DeLyser, and unanimously carried by those present to accept the PROC Letter to the American Institute of Certified Public Accountants Regarding the Oversight of Out-of-State Administering Entities with revisions.

- D. Discussion Regarding the Compliance Assurance Committee's Response to the PROC's September 24, 2013 Letter on the Oversight of the National Peer Review Committee.

Mr. Ixta advised members that NASBA determined that it would be appropriate to allow the PROC to observe the phone conferences conducted by the CAC. The CAC will meet and discuss the process. Mr. Ixta thanked PROC members for their persistence to be an integral part of the process to oversight the NPRC.

Mr. Ixta advised members that the CAC was currently working on developing guidelines for handling failed peer review reports.

Mr. Ixta also informed members that the AICPA oversight annual report was issued on September 27, 2013 and the CAC report would be issued after January 1, 2014. The two reports will be included as agenda items for the January 31, 2014 PROC meeting.

- E. Discussion Regarding Materials from the July 10, 2013 National Association of State Boards of Accountancy PROC Summit.

Mr. Ixta requested feedback from the members regarding the materials from the July 10, 2013 NASBA PROC Summit.

Members did not have feedback to the materials.

VI. Future Agenda Items.

1. CBA Communication to new licensees regarding Peer Review.
2. PROC 2013 Annual Report.
3. Discussion of AICPA Peer Review Program Annual Report on Oversight, issued September 27, 2013.
4. Compliance Assurance Committee Oversight Report on the National Peer Review Committee.

VII. Public Comment for Items Not on the Agenda.

There was no comment from the public for item not on the Agenda.

Mr. Ixta advised members that the Vice President of the CBA requests all committee members to encourage their colleagues to apply and serve on the CBA committee.

VIII. Adjournment.

There being no further business, Ms. Corrigan adjourned the meeting at 12:10 p.m. on Friday, November 1, 2013.



Nancy J. Corrigan, CPA, Chair

Alice Tran, Peer Review Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-1734.



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CBA Item IX.H.
 March 20-21, 2014

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

MINUTES OF THE
SEPTEMBER 26, 2013
TASKFORCE TO EXAMINE EXPERIENCE FOR CPA LICENSURE
(TASKFORCE) MEETING

Sheraton Suites at Symphony Hall
 701 A Street
 San Diego, CA 92101
 Telephone: (619) 696-9800
 Facsimile: (619) 239-2373

The meeting of the Taskforce was called to order at approximately 9:02 a.m. on September 26, 2013, by Chair, Manuel Ramirez.

Taskforce Members

Manuel Ramirez, Chair	9:02 a.m. to 11:48 a.m.
Sarah (Sally) Anderson	9:02 a.m. to 11:48 a.m.
Dan Dustin	9:02 a.m. to 11:48 a.m.
Ed Howard	9:02 a.m. to 11:48 a.m.
Laurence (Larry) Kaplan	9:02 a.m. to 11:48 a.m.
Kris Mapes	9:02 a.m. to 11:48 a.m.
Gary McBride	9:02 a.m. to 11:48 a.m.
Marshal Oldman	9:02 a.m. to 11:48 a.m.
Hal Schultz	9:02 a.m. to 11:48 a.m.

Staff and Legal Counsel

Rich Andres, Information Technology Staff
 Patti Bowers, Executive Officer
 Paul Fisher, Supervising Investigative CPA
 Dominic Franzella, Chief, Licensing Division
 Rafael Ixta, Chief, Enforcement Division
 Kathryn Kay, Licensing Coordinator
 Nicholas Ng, Manager, Administration
 Kari O'Connor, Enforcement Analyst

Deanne Pearce, Assistant Executive Officer
Corey Riordan, Board Relations Analyst
Kristy Shellans, Legal Counsel
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Regulation Analyst

CBA Members and Committee Chairs

Diana Bell, CBA Member
Alicia Berhow, CBA Member
Jose Campos, CBA Member
Nancy Corrigan, Peer Review Oversight Committee
Leslie LaManna, CBA President
Kitak (K.T.) Leung, CBA Secretary/Treasurer
Katrina Salazar, CBA Member

Other Participants

Jason Fox, California Society of Certified Public Accountants (CalCPA)
Michael Morphew, Center for Public Interest Law
Pilar Onate-Quintana, KP Public Affairs
Joe Petito, The Accountants Coalition
Jon Ross, KP Public Affairs

- I. Approval of the July 24, 2013 Taskforce Meeting Minutes.

It was moved by Ms. Anderson, seconded by Mr. Schultz and unanimously carried by those present to adopt the minutes of the July 24, 2013 Taskforce meeting.

- II. Discussion on the Taskforce to Examine Experience for CPA Licensure's Final Report to be Delivered to the California Board of Accountancy.

Mr. Franzella provided an overview of this item. Mr. Franzella highlighted that if the Taskforce would like to make its final recommendations and include a final report to the CBA at the November 21-22, 2013 CBA meeting, there is a possibility the Taskforce could hold a telephonic meeting in October to review and finalize the report.

- III. Presentation on How Information is Presently Displayed for Consumers on the CBA Website and Staff Proposed Changes.

Mr. Franzella provided an overview of staff proposed changes to presently displayed consumer information on the CBA website, specific to the difference between individuals licensed with attest and general accounting experience. Mr. Franzella stated the proposed changes would add clarity to the CBA License Lookup feature, *How to Select a CPA*, and the *Consumer Assistance Booklet*, and are in response to members' concerns

regarding what it means to be authorized versus qualified to perform attest services.

Mr. Schultz stated it may be more appropriate to use the term “may” instead of “can” regarding a CPA’s ability to perform attest services.

Mr. Howard expressed concern regarding the visibility of the attest and general accounting definitions under the proposed changes to the License Lookup feature. Mr. Howard added that the proposed changes require consumers to perform an additional step to access this information on the website. Mr. Howard further stated it would be helpful to have data regarding who is presently accessing this information and how long the information is accessed prior to making any finalizations.

Ms. Anderson suggested that staff add language to *How to Select a CPA* advising consumers to request a copy of the CPA’s peer review report during the selection process.

Ms. Mapes stated that a CPA’s authorization to perform attest services should be addressed in the interview process discussed in *How to Select a CPA*. Ms. Mapes added that it would be beneficial to provide additional detail regarding continuing education required for CPAs who provide attest services.

It was moved by Ms. Anderson, seconded by Mr. Schultz and unanimously carried by those present to accept staff proposed changes with the additional Taskforce-requested text recommendations, and allow staff to work with legal counsel on any technical changes.

The Taskforce requested staff to provide additional information regarding “web hits” on the CBA License Lookup feature, specific to the present placement of the attest and general accounting definitions.

IV. Discussion on Possible Recommendations by the Taskforce Regarding Acceptance of Academia as Qualifying Experience for CPA Licensure.

Ms. Kay provided an overview of this item and highlighted how other states that allow academia experience to qualify for CPA licensure generally calculate and verify this type of experience. Ms. Kay added if the Taskforce wishes to recommend to the CBA that academia experience qualify for licensure, the CBA will need to sponsor legislation to revise the Business and Professions Code (BPC) as well as pursue a rulemaking to amend CBA Regulations.

Mr. Ramirez recognized that many professors have undergone a substantial level of study and are very knowledgeable but questioned whether practical experience can be obtained from academia, which

focuses on theory. Mr. Ramirez inquired whether it is possible for a professor to teach 12 semester units in six months.

Mr. McBride responded that it would depend largely on the course load of the instructor and added that a full teaching load is typically equivalent to nine units per semester. Mr. McBride added that if academia experience qualified, professors would be encouraged to become active CPAs and as a result, students and the profession would be benefited by bridging the gap between theory and practice in the classroom. Mr. McBride highlighted the experience requirements in New York. Mr. McBride suggested the amount of academia experience required should be more than what is required for public accounting, private industry or government.

Mr. Ramirez concurred with Mr. McBride and suggested the amount of academia experience required could be a three to one ratio to experience obtained in other sectors.

Ms. Anderson stated that in her experience as a student, she found it beneficial to have professors who were also CPAs. Ms. Anderson added she is concerned about an individual's ability to obtain technical experience in academia.

Mr. Howard expressed that several issues need to be addressed in order to establish the acceptance of academia experience for licensure, namely, who can sign off on this type of experience, whether teaching experience should be available to academics at both two- and four-year institutions, and the institutions' accreditation.

Mr. Ramirez expressed concern regarding whether academia experience could qualify for licensure and suggested that academia only qualify as general accounting experience and not attest experience.

Mr. Schultz concurred that there are additional details that need to be addressed prior to making a recommendation to the CBA whether to allow academia to qualify for licensure and expressed support for the exploration of issues identified on this topic.

Mr. Dustin provided details regarding New York's academia experience requirements as an example of how some of the issues raised could be addressed. Mr. Dustin stated that New York acknowledged that a part-time faculty member could also be employed as a full-time CPA and that limiting qualifying courses to the upper division level prevents experience from being obtained at the community college level.

It was moved by Mr. Ramirez, seconded by Ms. Anderson and unanimously carried by those present to recommend that the CBA explore the possibility of allowing academia to qualify for licensure. As part of its exploration, the Taskforce recommends that the amount

of academia exceed a one to one ratio to experience obtained in other sectors and that the CBA address the following:

- **who can sign off on academia experience,**
- **whether teaching experience should be available to academics at both two- and four-year institutions; and**
- **institution accreditation**

V. Discussion on Possible Recommendations by the Taskforce Regarding Modification to the General Accounting Experience Requirement for CPA Licensure.

Ms. Kay provided an overview of some potential options the Taskforce may wish to consider. Ms. Kay stated that these options do not represent the limits of alternatives available to the Taskforce. Ms. Kay noted that options two and three would require the CBA to sponsor legislation to amend the BPC as well as pursue a rulemaking to amend CBA Regulations.

Mr. Oldman expressed concern regarding modifying the general accounting experience requirement to include a supervisor's opinion of the work performed by applicants. Mr. Oldman stated that he believes the Uniform CPA Examination already measures this aspect and therefore it would be unnecessary to place this burden on supervisors. Mr. Oldman added that this option may also affect the present definition of supervision.

Mr. Schultz stated that maintaining the status quo would not increase consumer harm and added that based on enforcement-related statistics, there is not compelling evidence to support a modification to the general accounting experience requirement.

It was moved by Mr. Oldman, seconded by Mr. McBride and unanimously carried by those present to recommend that the CBA maintain the status quo for the general accounting experience requirement.

VI. Discussion on Possible Recommendations by the Taskforce Regarding Modification to the Attest Experience Requirement for CPA Licensure.

Mr. Franzella provided an overview of some potential options the Taskforce may wish to consider. Mr. Franzella stated that these options do not represent the limits of alternatives available to the Taskforce. Mr. Franzella added that options two, three and four require the CBA to sponsor legislation to amend the BPC as well as pursue a rulemaking to amend CBA Regulations.

Mr. Howard provided an overview of a letter he submitted to the Taskforce on behalf of the Center for Public Interest Law. Mr. Howard highlighted that

if an individual is going to perform attest services for consumers, that individual should be licensed and have experience in attest. Mr. Howard highlighted that in 2006, the Qualifications Committee recommended to increase the minimum amount of attest experience hours from 500 to 1,000. Mr. Howard added the average number of attest hours at the time of initial licensure is 2,931, therefore increasing the minimum number of hours would not create a barrier to entry.

Mr. Howard also highlighted a summary of Dr. Oriel Strickland's 1999 study, performed for the CBA, which found that a majority of licensees were opposed to replacing the attest experience requirement and that 70% of licensees believed that the attest experience requirement is an assurance of entry-level competence, provides valuable discipline in terms of objectivity and independence, provides critical skills in areas other than attest, and provides a common basis of applying knowledge to a situation. Mr. Howard stated that from a consumer protection standpoint, reducing the attest experience requirement would not be beneficial. Mr. Howard further stated there is no compelling reason to eliminate the attest experience requirement.

Mr. Dustin questioned whether evidence exists to support that consumers may be harmed by the elimination of the attest experience requirement. Mr. Dustin added that enforcement-related statistics suggest that other states that have transitioned to the UAA model from the attest experience requirement have not put consumers at risk. Mr. Dustin added that available peer review statistics also support this. Mr. Dustin further stated that this discussion is really about minimum competency and that there are a host of post-licensure requirements that address attest work quality such as peer review and professional standards.

Mr. Oldman stated he would like to make the ability to obtain licensure less difficult if modifying the present attest experience requirement does not decrease consumer protection. He added that 47 states do not see the value of the attest experience requirement and specializations are available in order to get additional qualifications. Mr. Oldman suggested it may be beneficial for the CBA to pursue this approach and offer an attest specialization.

Ms. Anderson stated she supports eliminating the attest experience requirement. Ms. Anderson added that it would allow professionals to get experience in the area they wish to practice and would not increase consumer harm. She added she does not believe the 500 attest hours gave her the ability to perform an audit on her own.

Mr. Schultz pointed out that Dr. Strickland's survey may not be helpful because it is dated. He highlighted that the responses came from licensees that were required to obtain attest experience prior to licensure and this might implicate bias to maintain the attest experience

requirement. Mr. Schultz further stated he supports the elimination of the attest experience requirement.

Mr. Ramirez expressed concern regarding the elimination of the attest experience requirement because the assurance of consumer protection at initial licensure would also be eliminated.

Mr. Howard stated that post-licensure requirements do not address the need for practical experience prior to licensure. Mr. Howard added that the attest experience requirement enhances consumer protection at the time of initial licensure.

Mr. Ramirez suggested that the 500-hour requirement be adjusted and combined with some other form of experience to lower the barrier of entry to the profession.

Mr. Howard stated that it would be beneficial to conduct a survey on whether the options the Taskforce is considering would create barriers to entry.

Ms. Mapes stated the barrier to entry was eliminated with the option to be licensed with general accounting experience. She added that maintaining the present attest experience requirement does not harm consumers or increase a barrier to entry.

Mr. McBride stated that regarding consumer protection, the completion of 500 attest hours is misleading to consumers because a license obtained with attest experience does not mean the licensee is a qualified auditor. He added that consumers should rely on professionals not to perform work they are not competent to perform.

Ms. Anderson inquired whether mobility allows for an out-of-state licensee with general accounting experience to come to California and perform attest services.

Mr. Franzella responded that if an out-of-state licensee wants to provide attest services in California, s/he must meet the 500-hour requirement.

It was moved by Mr. Oldman, seconded by Mr. Schultz and carried by those present to recommend that the CBA eliminate the attest experience requirement. Mr. Ramirez, Mr. Howard, Mr. Kaplan, and Ms. Mapes opposed.

- VII. Enforcement-Related Statistics From Other States That Recently Eliminated the Attest Experience Requirement and Redistribution of the Bonnie Moor Case Decision and Results of Legal Cases Research **(Written Report Only).**

There were no comments on this item.

VIII. Agenda Items for Next Meeting.

None.

IX. Public Comments.*

None.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at 11:48 a.m.



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CBA Item X.C.
March 20-21, 2014

Proposed Responses to NASBA Focus Questions

Presented by: Corey Riordan, Board Relations Analyst

Date: February 14, 2014

Purpose of the Item

The purpose of this agenda item is to provide staff proposed responses on behalf of the California Board of Accountancy (CBA) to the National Association of State Boards of Accountancy (NASBA) Regional Director's Focus Questions.

Action(s) Needed

The CBA will be requested to either approve or direct staff to make changes to the proposed responses.

Background

Staff has been informed that the Focus Questions are used to help NASBA regional directors stay apprised of each state's policies and procedures and to see where improvements or adjustments might be made. The eight regional directors review the states' answers and then present their findings to NASBA.

Comments

Attached for your information are draft responses to NASBA Regional Directors' Focus Questions, which were issued on January 22, 2014. These responses have been prepared for Don Aubrey, Pacific Regional Director and are due to Mr. Aubrey by April 1, 2014.

Fiscal/Economic Impact Considerations

None.

Recommendation

The draft responses to the NASBA Focus Questions were prepared by CBA staff from the Enforcement, Licensing, and Administration Divisions. Staff recommend that the CBA either approve or direct staff to make changes to the proposed responses.

Attachment

NASBA Focus Questions

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.**MEMORANDUM**

January 22, 2014

To: State Board Chairs, Presidents, Board Members and Executive Directors
From: Douglas W. Skiles - Chair, Committee on Relations with Member Boards
Re: Focus Questions

As Chair of the Committee on Relations with Member Boards, I would like to encourage you to support your Board's legal counsel's and executive director's participation in NASBA's March 3-5, 2014 Annual Conference for Executive Directors and Board Staff and Annual Conference for Board of Accountancy Legal Counsel, to be held concurrently in Savannah, GA. We would like all Boards represented at these important meetings and scholarships are available for representatives of Boards that need assistance. Please contact Thomas Kenny (tkenny@nasba.org) for scholarship details.

We thank you for your helpful responses to our past Focus Questions. Your continued support helps keep NASBA an organization that responds to its member boards. We are looking for your Board's responses to the following questions by Monday, April 1, 2014.

Please do not hesitate to call your Regional Director to discuss these questions or any other issues you feel NASBA should consider. We look forward to hearing from you.

Sincerely,

Douglas W. Skiles

Central Director – **Douglas W. Skiles** Phone: 308-345-5100 dskiles@msl-cpa.com
Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Great Lakes Director – **W. Michael Fritz** Phone: 614-229-4806 wfriz@deloitte.com
Illinois, Indiana, Michigan, Ohio, Pennsylvania, Wisconsin

Middle Atlantic Director – **Tyrone E. Dickerson** Phone: 804-272-1250 t5dcpa@verizon.net
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Mountain Director – **Richard N. Reisig** Phone: 406-727-0888 rreisig@azworld.com
Colorado, Idaho, Montana, Nevada, Utah, Wyoming

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Southeast Director – **Jimmy E. Burkes** Phone: 601-326-7118 jburkes@haddoxreid.com
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Southwest Director – **A. Carlos Barrera** Phone: 956-546-1655 cbarrera@longchilton.com
Arkansas, Louisiana, New Mexico, Oklahoma, Texas

REGIONAL DIRECTORS' FOCUS QUESTIONS

The input received from our focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next board meeting to allow for sufficient time for discussion. Please send your Board's responses to your Regional Director by April 1, 2014. Use additional sheets for your responses if needed.

JURISDICTION California Board of Accountancy (CBA)

DATE February 12, 2014

NAME OF PERSON SUBMITTING FORM Patti Bowers, Executive Officer

1. If someone holds the designation "CPA-Inactive" in another state, could he or she hold that designation in your jurisdiction? Does your state provide for an "inactive" or "retired" status? If so, what services could such an individual perform without being considered to need to have an active CPA license? If there is a distinction between "inactive" and "retired" status in your state, what could a "retired CPA" do? Does it matter if such services are performed pro bono?

If an individual is licensed in multiple jurisdictions, including California, the CBA would look to the status of the individual's California license to ensure s/he is representing him/herself in accordance with California's laws and regulations. Presently, California provides for an inactive license status and, beginning July 1, 2014, will also provide for a retired license status. Holders of a license in an inactive or retired status may not engage in any activity for which a license is required. Additionally, holders of a license in an inactive or retired status must place the term "inactive" or "retired" immediately after the CPA designation.

2. Your local newspaper reports a national firm has entered into a settlement agreement with the Securities and Exchange Commission. What would cause your state to consider opening an investigation of that firm and/or its CPAs?

To begin, under Business and Professions Code section 5063 requires any California licensee is required to report, within 30 days, any notice of the opening or initiation of a formal investigation of the licensee by the Securities and Exchange Commission (SEC). If the licensee fulfilled this obligation, the CBA would have known about the pending case prior to any newspaper report and would have already been keeping an eye on the case. If the licensee failed to do so, this would be cause for further charges beyond the SEC action and its root causes.

3. Has your Board reviewed the two exposure drafts from the AICPA's Accounting Review Services Committee regarding 1) compilation and preparation services and association and 2) the applicable framework? If so, does your Board have concerns with these changes? Please explain.

CBA staff has reviewed the exposure drafts and have determined that the proposed changes will not have a direct impact on California's statutes and regulations. Although the CBA members are aware of the exposure drafts, because there is no impact California's statutes and regulations they have not taken a formal position.

4. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?

Mobility Program

Effective July 1, 2013, California implemented a no-fee no-notice, practice privilege (mobility) program. One public protection element of the program is that California is required to disclose information on all CPAs who were disciplined by the SEC and Public Company Accounting Oversight Board on its website. Additionally, the disciplined CPA is required to request approval from the CBA prior to practicing in California under mobility. CBA staff contacts the CPAs and inform them of this requirement via regular mail. Please visit the CBA website www.cba.ca.gov to search for CPAs listed from your jurisdiction.

Mobility Stakeholders Group

In 2012, California passed legislation that allowed mobility for California. The same legislation created the Mobility Stakeholder Group (MSG) for the purpose of considering whether the provisions of California's mobility law are consistent with the CBA's duty to protect the public, and whether the provisions of practice privilege law satisfy the objectives of stakeholders of the accounting profession in California, including consumers. The members of the MSG have been appointed, and it will hold its first meeting on March 20, 2014.

Peer Review Reporting

When California's peer review requirement first took effect in January 2010, the CBA established a three-year phase-in period for reporting. This phase-in period began in July 1, 2011 and was completed July 1, 2013. This initial phase-in period was based on the last two digits of a licensee's license number. The CBA revised the reporting requirement to now occur at the time of license renewal, which began January 1, 2014.

Fingerprinting

Beginning with licenses that expire after December 31, 2013, all licensees renewing their license in an active status who have not previously submitted fingerprints as a condition for initial licensure or for whom no electronic record of the licensee's fingerprints exists with the California Department of Justice (DOJ) must submit fingerprints for the purpose of having a State and federal criminal offender record background check.

Continued Exploration of California's Attest Experience Requirement and Allowing Academia as Qualifying Experience for CPA Licensure

For a significant portion of last year, the CBA established a Taskforce (known as the Taskforce to Examine Experience for CPA Licensure) that explored California's experience requirement for CPA licensure. As a result of the Taskforce's work, for the upcoming year the CBA will be undertaking a research project regarding the attest experience requirement and moving forward with sponsoring legislation to allow for experience earned in academia to qualify toward California's general experience requirement.

The research project associated with the continued exploration of California's attest experience requirement will entail performing a survey of California's licensees. The CBA will be engaging the services of a consultant to aid in the data collection and preparing a final report. Additionally, the CBA will be surveying other state boards of accountancy to obtain relevant data and information. As for allowing academia experience to qualify, the Taskforce recommended that the CBA explore allowing qualifying academia experience as it believed it could aid in bridging the gap between theory and practice and benefit both the students and accounting profession. The CBA adopted the Taskforce's recommendation to allow for

experience earned in academia to qualify for general accounting experience. For the upcoming year the CBA will be sponsoring legislation to amend California's Accountancy Act and will begin discussion on establishing a framework for how academia experience will qualify.

5. Can NASBA be of any assistance to your Board at this time?

Due to budgetary considerations, California has been unable to attend NASBA events held outside of California. The CBA has taken steps to further emphasize the importance of out-of-state travel and is working diligently to obtain support and approval to attend national events, including NASBA's various conferences and meetings. Until approval is received or the budgetary considerations are resolved, it would be beneficial if some NASBA events were held in California.

6. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- Input only from Board Chair
 - Input only from Executive Director
 - Input only from Board Chair and Executive Director
 - Input from all Board Members and Executive Director
 - Input from some Board Members and Executive Director
 - Input from all Board Members
 - Input from some Board Members
- Other (please explain):



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CBA Item XI.C.
March 20-21, 2014

Press Release Focus

Presented by: Deanne Pearce, Assistant Executive Officer

Date: March 5, 2014

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

None.

Background

There have been two topic-based press releases issued prior to the January 2014 CBA meeting, but were not reported on since they were issued after the mail-out of the CBA meeting materials. One was the announcement of the temporary fee reduction and the other, the announcement of Mr. Silverman's appointment to the CBA. A third release, the announcement of the members of the Mobility Stakeholder Group, was issued the week of February 20, 2014, and a fourth release regarding a Penal Code 23 Order against a licensee facing criminal charges was issued on February 28, 2014. A press advisory notifying the media of the March 20-21, 2014 CBA meeting is scheduled to be sent out March 17, 2014.

Comments

None.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff recommendation will be made at the time of this presentation.

Attachments

1. California Board of Accountancy Announces Fee Reduction
2. California Board of Accountancy Welcomes New Board Member
3. California Board of Accountancy Announces Appointments to Mobility Stakeholder Group
4. San Diego Area CPA Restricted from Practicing Public Accounting as CBA Moves to Protect Consumers

CBA Item XI.C.

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5. Enforcement Action Press Releases

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**Attachment 1**

NEWS RELEASE

CALIFORNIA BOARD OF ACCOUNTANCY ANNOUNCES FEE REDUCTION

(Sacramento, CA) – The California Board of Accountancy (CBA) is pleased to announce a temporary reduction in fees, for a two-year period effective July 1, 2014 and ending June 30, 2016, under new rules adopted by the CBA. The initial licensure fee and the biennial renewal fee are being reduced to \$50. In addition, the application fee for the CPA exam, the license application fee, and the fee for registration as a partnership or corporation have also been reduced.

“The CBA elected to reduce the fees last year to help offset the cost of entry into the profession and to help bring the Accountancy Fund Reserve in line with statutorily mandated levels,” said CBA President Michael Savoy.

For further information regarding the fee reductions, please visit the CBA website at www.cba.ca.gov.

Created by statute in 1901, the CBA’s mandate ensures protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 81,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations. More information about the California Board of Accountancy is available at www.cba.ca.gov

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**Attachment 2**

CALIFORNIA BOARD OF ACCOUNTANCY WELCOMES NEW BOARD MEMBER

SACRAMENTO – The California Board of Accountancy (CBA) has announced the appointment of Mark Silverman to the CBA. Mr. Silverman, of Santa Monica, has been an advisor at Twistory Entertainment Studios and entrepreneur in residence at the Georgetown University McDonough School of Business since 2013.

Previously, Mr. Silverman served as an advisor at WynnStarr Foods Inc. in 2013 and held multiple positions at ScrollMotion Inc. from 2009 to 2013, including executive vice president and chief operating officer. He was a principal at YQ Holdings Group from 2002 to 2009, executive vice president at US Interactive from 1998 to 2001 and chief operating officer at Digital Evolution Inc. from 1996 to 1998. Mr. Silverman was vice president at Coast Converters Inc. from 1981 to 1996 and served as an attorney advisor at the Federal Trade Commission from 1976 to 1980. Mr. Silverman earned a Juris Doctor degree from the Georgetown University Law Center.

Mr. Silverman fills a public seat on the 15 member CBA, which is comprised of eight public members and seven who are Certified Public Accountants. He was appointed by Governor Edmund G. Brown Jr. on Wednesday, January 15, 2014.

This position does not require Senate confirmation and the compensation is \$100 per diem.

Mr. Silverman is registered as Decline-to-State.

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**Attachment 3****NEWS RELEASE**

FOR IMMEDIATE RELEASE

Contact: Lauren Hersh
(916) 849-9022

**CBA ANNOUNCES APPOINTMENTS
TO NEW MOBILITY STAKEHOLDER GROUP**

(Sacramento, CA) – CBA President Michael M. Savoy, CPA, is pleased to announce the appointees to the CBA's new Mobility Stakeholder Group (MSG).

The MSG will be responsible for considering whether the provisions of California's practice privilege law are consistent with the CBA's duty to protect the public, and whether the provisions of the practice privilege law satisfy the objectives of stakeholders of the accounting profession in this state, including consumers. The MSG is comprised of two CBA members, two consumer representatives, two representatives of the accounting profession, and a CBA staff member.

"These new appointees have distinguished themselves both in their respective careers, and in giving back to their professions and their communities," said President Savoy. "I believe the MSG and the CBA will be well-served."

The inaugural members of the MSG are:

- Katrina Salazar, CPA, Chair and CBA Secretary/Treasurer
- Harold S. Schultz, CPA, Vice Chair and accounting profession representative
- Jose A. Campos, CPA, and CBA Vice President
- Edward Howard, Esq. - consumer representative
- Rafael Ixta, CBA Enforcement Division Chief
- Joseph P. Petito, Esq. - accounting profession representative
- Stuart Waldman, Esq. - consumer representative

The first MSG meeting is scheduled for Thursday, March 20, 2014, in Pasadena, CA. Meetings are public and can be viewed on the CBA website.

Biographies**Katrina Salazar, CPA, CBA Secretary/Treasurer, MSG Chair**

Ms. Salazar was appointed to the CBA in December 2012 by Governor Edmund G. Brown, Jr. She has served as the Executive Director of the Rotary Club of Sacramento,

Chief Financial Officer at the Academic Senate for California Community Colleges and the American Red Cross Sacramento Sierra Chapter. Ms. Salazar has served in multiple positions at Reznick Group, including senior audit manager, and since 2007 has been an adjunct accounting professor with the Los Rios Community College District. Ms. Salazar is a member of the California Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

Harold S. Schultz, CPA, MSG Vice Chair

Mr. Schultz has served as the Vice Chair – Regulation of the Government Relations Committee of the California Society of CPAs (CalCPA) for the past 16 years and is a past chair of CalCPA. He has also been appointed to numerous CBA taskforces, and has actively served in a variety of capacities with the American Institute of Certified Public Accountants. A California CPA for 40 years, he spent his professional career with PricewaterhouseCoopers LLP until his retirement in 2007.

Jose A. Campos, CPA, CBA Vice President

Mr. Campos was appointed to the CBA in December 2012 by Governor Edmund G. Brown, Jr. He is currently a partner at Deloitte and Touche LLP. Mr. Campos also previously served as Chairman of the Finance Committee of the Board of Directors of AltaMed Health Services Corporation. He is a member of the California Society of Certified Public Accountants, the American Institute of Certified Public Accountants and the Association of Latino Professionals in Finance and Accounting.

Edward Howard, Esq.

Mr. Howard is Senior Counsel at the Center for Public Interest Law and the Children's Advocacy Institute, at the University of San Diego School of Law. He is a recognized expert in regulatory and administrative law stemming from his ten-plus years of experience litigating against or appearing before a myriad of administrative agencies in high-profile matters, including the State Board of Education, the California Insurance Commissioner, the Public Utilities Commission, and the California Coastal Commission. Mr. Howard received his Juris Doctor from Loyola Law School. He is a member of the State Bar of California, and is admitted to practice law before the Ninth Circuit and United States Supreme Courts.

Rafael Ixta, CBA Enforcement Division Chief

Mr. Ixta joined the CBA as Chief of the Enforcement Division in 2010. He began his career as a Tax Auditor with the California Franchise Tax Board (FTB) where he conducted field and desk audits of individuals, partnerships, and corporations. Mr. Ixta joined the management ranks in 1988 and gained extensive tax administration, managerial, and project management experience. Prior to joining the CBA, he served with the Cemetery and Funeral Bureau in the Department of Consumer Affairs. Mr. Ixta holds a bachelors of arts degree in business administration with a concentration in accounting from California State University, Stanislaus. He is also an alumnus of the Executive Leadership Program at the University of California, Davis.

Joseph P. Petito, Esq.

Mr. Petito has been with PricewaterhouseCoopers LLP (PwC) for over 20 years, serving as Principal, Public Policy, Government & Regulatory Affairs since 1995. In this role, he has been responsible for managing the firm's relationships with state and local legislative, executive and regulatory bodies, and accounting-related professional organizations. Before joining PwC, Mr. Petito held senior positions in government affairs at the American Institute of Certified Public Accountants. He is also actively involved in his community and the accounting profession, and serves on the Board of Directors of the National Association of State Boards of Accountancy Center for the Public Trust. Mr. Petito received his Juris Doctor from Seton Hall School of Law. He is admitted to practice law in New Jersey and is a member of the New Jersey Bar and the American Bar Association.

Stuart Waldman , Esq.

Mr. Waldman served as a public member of the CBA from 2001 through 2009. Since 2008, he has been the president of the Valley Industry and Commerce Association (VACA) in Sherman Oaks, CA. Mr. Waldman previously served as Chief of Staff to several state assembly members, is actively involved in civic organizations and serves on advisory committees to several Los Angeles utility, public works and transportation agencies. He received his Juris Doctor from Loyola Law School and is a member of the State Bar of California.

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Attachment 4

NEWS RELEASE

FOR IMMEDIATE RELEASE

Contact: Lauren Hersh
(916) 561-1789

SAN DIEGO AREA CPA RESTRICTED FROM PRACTICING PUBLIC ACCOUNTING AS CBA MOVES TO PROTECT CONSUMERS

SACRAMENTO – The Superior Court of the County of San Diego, North County Division, has granted the California Board of Accountancy’s request to restrict a Carlsbad CPA from practicing public accounting pending the outcome of the criminal case against him.

53 year old James Milton Comstock, of Carlsbad, CA, is charged with two felony counts of Fraudulent Appropriation by Administrator, Executor, Trustee and two felony counts of Grand Theft of Personal Property while he was a volunteer treasurer for the non-profit organization, ArtSplash. He was arrested by the City of Carlsbad Police Department on suspicion of Grand Theft and Misappropriation of Funds in December 2013.

CBA Executive Officer Patti Bowers says the CBA sought the order under California Penal Code Section 23 to protect the public as the criminal case progresses.

“While the legal proceedings involving Mr. Comstock continue in this matter, it is our responsibility to protect the public,” said Ms. Bowers. “The order directly prevents Mr. Comstock from practicing as a CPA pending the outcome of his criminal case and I appreciate the hard work of Deputy Attorney General Carl Sonne to bring this successful result.”

Mr. Comstock is prevented from acting as a certified public accountant or performing activities for which a certified public accountant license is required, either directly or indirectly, while on pretrial own recognizance release, while on bail pending resolution of this criminal proceeding, as a post-conviction condition of probation, or any California Board of Accountancy disciplinary proceeding, whichever concludes last.

The Order does not prohibit Mr. Comstock from engaging in tax preparation work that does not require a certified public accountant license, provided Mr. Comstock does not use the designation “certified public accountant” or “CPA” or hold himself out to the public as a “certified public accountant” or “CPA” and is otherwise duly licensed to prepare tax returns.

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.

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**California Board of Accountancy
Enforcement Action News Release**

Sent to business@latimes.com (Los Angeles Times) Chatsworth@patch.com (Northridge-Chatsworth Patch) on February 28, 2014

Masood Ahmed Chotani, Porter Ranch, CA (CPA 65903) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#C_1064

Sent to business@ocregister.com (Orange County Register) and laderatimes@cox.net (Ladera Times) on February 28, 2014

Nathan M. Gilliland, Ladera Ranch, CA (CPA 97689) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#G_1945

Sent to brianh@theunion.com (The Union) on February 28, 2014

Steven Alexander Roth, Nevada City, CA (CPA 71382) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#R_1062
