



**DEPARTMENT OF CONSUMER AFFAIRS**  
CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
SACRAMENTO, CA 95815-3832  
TELEPHONE: (916) 263-3680  
FACSIMILE: (916) 263-3675  
WEB ADDRESS: <http://www.cba.ca.gov>



**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
PUBLIC MEETING NOTICE FOR THE MOBILITY STAKEHOLDER GROUP (MSG),  
COMMITTEE ON PROFESSIONAL CONDUCT (CPC), LEGISLATIVE COMMITTEE  
(LC), ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE (EPOC), AND CBA  
MEETINGS**

- 
- |  |   |
|--|---|
| <b>DATE:</b> Thursday, May 28, 2015  | <b>JOINT CBA &amp; MSG MEETING</b><br><b>TIME:</b> 9:00 a.m.  |
| <b>DATE:</b> Thursday, May 28, 2015  | <b>MSG MEETING</b><br><b>TIME:</b> 10:30 a.m. or upon adjournment<br>of the Joint CBA & MSG Meeting |
| <b>DATE:</b> Thursday, May 28, 2015  | <b>CPC MEETING</b><br><b>TIME:</b> 11:00 a.m. or upon adjournment<br>of the MSG Meeting             |
| <b>DATE:</b> Thursday, May 28, 2015  | <b>LC MEETING</b><br><b>TIME:</b> 11:15 a.m. or upon adjournment<br>of the CPC Meeting              |
| <b>DATE:</b> Thursday, May 28, 2015  | <b>EPOC MEETING</b><br><b>TIME:</b> 11:45 a.m. or upon adjournment<br>of the LC Meeting             |
| <b>DATE:</b> Thursday, May 28, 2015  | <b>CBA MEETING</b><br><b>TIME:</b> 1:30 p.m. to 5:00 p.m.   |
| <b>DATE:</b> Friday, May 29, 2015  | <b>CBA MEETING</b><br><b>TIME:</b> 9:00 a.m. to 11:00 a.m.  |
| <b>PLACE:</b> Hilton Los Angeles Airport<br>5711 West Century Boulevard<br>Los Angeles, CA 90045<br>Telephone: (310) 410-4000<br>Fax: (310) 410-6250 |   |

Enclosed for your information is a copy of the agendas for the Joint CBA & MSG, MSG, CPC, LC, EPOC, and CBA meetings on May 28-29, 2015. 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 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.**



**DEPARTMENT OF CONSUMER AFFAIRS**  
 CALIFORNIA BOARD OF ACCOUNTANCY  
 2000 EVERGREEN STREET, SUITE 250  
 SACRAMENTO, CA 95815-3832  
 TELEPHONE: (916) 263-3680  
 FACSIMILE: (916) 263-3675  
 WEB ADDRESS: <http://www.cba.ca.gov>



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

**MSG MEETING  
 AGENDA**

**Thursday, May 28, 2015**

**10:30 a.m.**

**Or Upon Adjournment of the Joint CBA & MSG Meeting**

**Hilton Los Angeles Airport  
 5711 West Century Boulevard  
 Los Angeles, CA 90045  
 Telephone: (310) 410-4000  
 Fax: (310) 410-6250**

**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 MSG Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the CBA's website at <http://www.cba.ca.gov>.

	<b><u>CBA Item #</u></b>
Call to Order, Roll Call, and Establishment of Quorum ( <b>Katrina Salazar, Chair</b> ).	
I. Approval of Minutes of the March 19, 2015 MSG Meeting.	XI.B.
II. Introduction of New MSG Members, Don Driftmier and Michael Savoy ( <b>Katrina Salazar</b> ).	
III. The MSG Decision Matrix and Stakeholder Objectives (Written Report Only).	IX.D.2.
IV. Analysis and Guidance From the MSG Regarding NASBA's Guiding Principles of Enforcement ( <b>Matthew Stanley, Manager, Examination and Practice Privilege Units</b> ).	IX.D.3.
V. Discussion About the Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21 ( <b>Matthew Stanley</b> ).	IX.D.4.
VI. Discussion Regarding NASBA's Activities and CPAVerify ( <b>Matthew Stanley</b> ).	IX.D.5.

VII. Discussion Regarding Proposed Agenda Items for the Next MSG Meeting (**Matthew Stanley**).

IX.D.6.

VIII. 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 section 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 CBA are present at the MSG meeting, members who are not MSG members may attend the meeting only as observers.

**DEPARTMENT OF CONSUMER AFFAIRS**

CALIFORNIA BOARD OF ACCOUNTANCY  
 2000 EVERGREEN STREET, SUITE 250  
 SACRAMENTO, CA 95815-3832  
 TELEPHONE: (916) 263-3680  
 FACSIMILE: (916) 263-3675  
 WEB ADDRESS: <http://www.cba.ca.gov>



**MSG Item I.**  
 May 28, 2015

**CBA Item XI.B.**  
 May 28-29, 2015

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

**MINUTES OF THE**  
**March 19, 2015**  
**MOBILITY STAKEHOLDER GROUP (MSG) MEETING**

**DRAFT**

Wyndham Irvine-Orange County Airport  
 17941 Von Karman Avenue  
 Irvine, CA 92614  
 Telephone: (949) 863-1999

**CALL TO ORDER**

Katrina Salazar, Chair, called the meeting of the MSG to order at 9:33 a.m. Ms. Salazar requested that the roll be called.

Members

Katrina Salazar, CPA, Chair	Present
Jose Campos, CPA	Present
Ed Howard, Esq.	Absent
Dominic Franzella	Present
Joe Petito, Esq.	Present
Stuart Waldman	Absent

CBA Members Observing

Alicia Berhow  
 Herschel Elkins, Esq.  
 Larry Kaplan  
 Kay Ko  
 Xochitl Léon  
 Michael Savoy, CPA  
 Mark Silverman, Esq.  
 Kathleen Wright, CPA

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer

Deanne Pearce, Assistant Executive Officer  
Rich Andres, Information Technology Staff  
Pat Billingsley, Regulations Analyst  
Kate Kay, Legislative Analyst  
Corey Riordan, Board Relations Analyst  
Paul Fisher, Supervising Investigative CPA  
Gina Sanchez, Licensing Chief  
Lauren Hersh, Information Officer  
Kristy Schieldge, Senior Staff Counsel, Department of Consumer Affairs, Legal Affairs  
Carl Sonne, Supervising Deputy Attorney General  
Matthew Stanley, Manager, Examination and Practice Privilege Units

Other Participants

Jason Fox, California Society of CPAs (CalCPA)  
Jon Ross, KP Public Affairs  
Jeffrey De Lyser, CPA, Chair, Enforcement Advisory Committee  
Manuel Ramirez, CPA  
Sherry McCoy, CPA, Peer Review Oversight Committee  
George Famalett, CPA, Pricewaterhouse Coopers

I. New Voting Procedure Effective January 1, 2015.

Mr. Stanley presented and outlined the new voting procedures effective January 1, 2015. Effective January 1, 2015, Government Code section 11123 was amended, by the passage of Assembly Bill 2720, to require that all state bodies publicly report any action taken and the vote or abstention on that action of each member present for the action.

II. Approval of Minutes of the November 20, 2014 MSG Meeting.

**It was moved by Mr. Campos and seconded by Mr. Petito to approve the minutes of the November 20, 2014 MSG Meeting.**

**Yes: Ms. Salazar, Mr. Petito, and Mr. Campos.**

**No: None.**

**Abstain: Mr. Franzella.**

**Absent: Mr. Howard and Mr. Waldman.**

**The motion passed.**

III. The MSG Decision Matrix and Stakeholder Objectives (Written Report Only).

Mr. Stanley provided a written report highlighting decisions made by the MSG, as well as the stakeholder objectives identified to date.

IV. Discussion Regarding the Consumer Protection Provisions of Business and Professions Code Section 5096.2 through 5096.21.

Mr. Stanley provided an overview of the consumer protection provisions of the practice privilege law in Business and Professions Code (BPC) sections 5096.2 through 5096.21. Mr. Stanley noted that this was only an initial review as it is expected the MSG will again review the law in combination with the first few years of mobility statistics prior to issuing its final report in 2017.

Mr. Stanley indicated that the provisions that were reviewed included discipline of a practice privilege, administrative suspension, out-of-state firm registrations, the changes to the CBA website, and reporting requirements.

A final review of the law will take place in 2017.

V. Discussion and Approval of the MSG Annual Report.

Mr. Stanley presented the draft MSG Annual Report for 2014, which detailed the activities of the MSG during its first year. He noted the report also included overviews of the MSG and its responsibilities, the practice privilege program, and statistics of the practice privilege program. Mr. Stanley noted the report also detailed the anticipated topics of discussion for the MSG during 2015.

Mr. Campos requested an additional note be added to the Enforcement Division chart to reflect that the statistics pertaining to the Securities and Exchange Commission and Public Company Accounting Oversight Board disciplinary actions are not specific to California practice privilege holders or licensees. He further requested an additional note be added to the web usage chart to indicate the numbers are reporting the number of hits to specific web pages.

Ms. Salazar inquired as to whether the hits to each web page are unique hits. CBA staff will research the inquiry and add whether the hits are unique or not.

**It was moved by Mr. Campos and seconded by Mr. Petito to accept the Annual Report of the MSG with modifications to pages 6-7.**

**Yes: Ms. Salazar, Mr. Campos, and Mr. Petito.**

**No: None.**

**Abstain: Mr. Franzella.**

**Absent: Mr. Howard and Mr. Waldman.**

**The motion passed.**

VI. Report on the New York Board of Accountancy's Practice Privilege Program.

Mr. Stanley indicated that a question was raised during the MSG's November 2014 meeting regarding New York's experiences with the pre-notification requirement. He indicated that staff contacted the New York Board of Accountancy and were told they have not received any pre-notifications since implementation of the program.

VII. Discussion and Approval of the Timeline for Making Determinations Required Pursuant to Business and Professions Code Section 5096.21.

Mr. Stanley presented a timeline for making determinations required pursuant to BPC section 5096.21. BPC section 5096.21(a) requires the CBA to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public. If this determination shows the public is at risk, the licensees of those particular states would, following a rulemaking by the CBA, revert back to using the prior practice privilege program with its notice and fee provisions. He noted these determinations are to be made on and after January 1, 2016.

Mr. Petito clarified that there is a second track to being deemed sufficient, which involves the National Association of State Boards of Accountancy's (NASBA) national enforcement guidelines and best practices.

Mr. Stanley indicated that states gaining approval through this second track would not fall under the proposed timeline.

**It was moved by Mr. Campos and seconded by Mr. Franzella to approve the timeline for making determinations pursuant to BPC section 5096.21.**

**Yes: Mr. Campos, Mr. Petito, Ms. Salazar, and Mr. Franzella.**

**No: None.**

**Abstain: None.**

**Absent: Mr. Howard and Mr. Waldman.**

**The motion passed.**

VIII. Discussion Regarding the Basis for Making Determinations Required Pursuant to Business and Professions Code Section 5096.21.

Mr. Stanley stated the CBA is required to consider three factors when making the determinations in January 2016, as follows:

- 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.
- 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.
- Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

He provided preliminary data for all three factors on a state-by-state basis. The MSG reviewed the data and provided input regarding additional data they wish to include.

Ms. Salazar asked whether information can be added reflecting which states had a mandatory peer review program. She also inquired as to the number of enforcement referrals California receives from each state.

Mr. Petito stated his concern with how to address those states to which California has not made enforcement referrals.

Staff will incorporate the following into the proposed letter:

- Whether each state has a mandatory peer review process.
- The number of enforcement referrals each state has made to the CBA.

Mr. Stanley recommended a letter be prepared for each state as notification of the process the CBA is undertaking to review each state, the possible ramifications for other states and licensees exercising a practice privilege in California, and to request additional information needed as identified by the MSG and CBA.

**It was moved by Mr. Campos and seconded by Mr. Petito to approve the basis for making determinations required pursuant to BPC section 5096.21**

**Yes: Ms. Salazar, Mr. Petito, Mr. Campos, and Mr. Franzella.**

**No: None.**

**Abstain: None.**

**Absent: Mr. Howard and Mr. Waldman.**

**The motion passed.**

IX. Discussion Regarding the Practice Privilege Preliminary Determinations Report.

Mr. Stanley stated the practice privilege preliminary determinations report is due by July 1, 2015 as required pursuant to BPC section 5096.21(a). The MSG provided initial guidance on certain terms referred to in the law: timely and adequately addressing enforcement referrals, adequately linking consumers to electronic information, and appropriate discipline in light of the misconduct.

Ms. Salazar and Mr. Petito suggested using California's current performance measures as an initial guideline that may be altered as additional information is received.

Mr. Stanley reported the information that was available on the old practice privilege notification form is the minimum amount of information that needs to be available to consumers electronically.

Ms. Salazar requested the number of licensees in each state be ascertained and that each state be evaluated based on their size, procedures and laws.

The MSG decided not to name individual states in the draft report but wish to include a reference to the NASBA enforcement guidelines and best practices.

X. Discussion Regarding NASBA's Activities and CPAVerify.

Mr. Stanley provided a chart with data on each state regarding what enforcement-related information is available online regarding those states' licensees.

The MSG previously asked staff to determine if there was a timeframe for New York to correct their technical limitations in reporting disciplinary information to the Accountancy Licensee Database. Mr. Stanley reported it is a matter of New York's enforcement computer system, which belongs to the board's parent agency, and that New York has yet to determine when they will upgrade their e-licensing system at this time.

XI. Discussion Regarding Proposed Agenda Items for the Next MSG Meeting.

Mr. Stanley suggested the following items for the next MSG meeting:

- A review of the NASBA Enforcement Guidelines; and
- A review of additional information gathered to assist the CBA in making its determinations regarding other states.

The MSG had no objections or additions.

## XII. Public Comments.

There were no public comments.

There being no further business, the meeting was adjourned at 11:29 a.m.



**DEPARTMENT OF CONSUMER AFFAIRS**  
CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
SACRAMENTO, CA 95815-3832  
TELEPHONE: (916) 263-3680  
FACSIMILE: (916) 263-3675  
WEB ADDRESS: <http://www.cba.ca.gov>



**MSG Item III.**  
May 28, 2015

**CBA Item IX.D.2.**  
May 28-29, 2015

## **The MSG Decision Matrix and Stakeholder Objectives**

**Presented by:** Written Report Only

---

### **Purpose of the Item**

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with its decision matrix (**Attachment 1**) and stakeholder objectives (**Attachment 2**).

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

At its March 2014 meeting, staff presented the MSG with a plan to maintain a decision matrix in order to track decisions made by the MSG. The purpose for the decision matrix was to assist the MSG and staff in determining what activities have been accomplished and what decisions still remain for discussion.

In addition, the MSG is charged with considering whether the provisions of the California practice privilege law "satisfy the objectives of stakeholders of the accounting profession in this state, including consumers." At its July 2014 meeting, the MSG established two stakeholder objectives and requested that they be provided at future meetings in order that the MSG may continue to revise and add to them as needed.

### **Comments**

Staff will continue to provide the decision matrix and stakeholder objectives as a written report only agenda item unless otherwise directed by the MSG.

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

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff do not have a recommendation on this agenda item.

### **Attachments**

1. MSG Decision Matrix
2. Stakeholder Objectives

**DEPARTMENT OF CONSUMER AFFAIRS**

CALIFORNIA BOARD OF ACCOUNTANCY  
 2000 EVERGREEN STREET, SUITE 250  
 SACRAMENTO, CA 95815-3832  
 TELEPHONE: (916) 263-3680  
 FACSIMILE: (916) 263-3675  
 WEB ADDRESS: <http://www.cba.ca.gov>

**Attachment 1****MSG Decision Matrix**

<b><u>Date</u></b>	<b><u>Decision</u></b>
March 2014	The MSG will meet three times per year in conjunction with the March, July and November CBA meetings.
March 2014	The MSG will prepare a written report to the CBA at least once per calendar year.
March 2014	The MSG will prepare a final report in time to be considered by the CBA as it prepares its final report to the Legislature which is due January 1, 2018.
November 2014	The MSG adopted the following definition for "stakeholders:" Stakeholders include consumers, licensees, applicants, and professional organizations and groups that have a direct or indirect stake in the CBA because they can affect or be affected by the CBA's actions, objectives, and policies.

**DEPARTMENT OF CONSUMER AFFAIRS**

CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
SACRAMENTO, CA 95815-3832  
TELEPHONE: (916) 263-3680  
FACSIMILE: (916) 263-3675  
WEB ADDRESS: <http://www.cba.ca.gov>

**Attachment 2****Stakeholder Objectives**

<b>Date Added or Revised</b>	<b>Objective</b>
July 2014	Help out-of-state licensees know and understand their self-reporting requirements.
July 2014	Assure the CBA that all states have adequate enforcement.



**DEPARTMENT OF CONSUMER AFFAIRS**  
CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
SACRAMENTO, CA 95815-3832  
TELEPHONE: (916) 263-3680  
FACSIMILE: (916) 263-3675  
WEB ADDRESS: <http://www.cba.ca.gov>



**MSG Item IV.**  
May 28, 2015

**CBA Item IX.D.3.**  
May 28-29, 2015

## **Analysis and Guidance From the MSG Regarding NASBA's Guiding Principles of Enforcement**

**Presented by:** Matthew Stanley, Manager, Examination and Practice Privilege Units

---

### **Purpose of the Item**

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with an opportunity to review the National Association of State Boards of Accountancy's (NASBA) Guiding Principles of Enforcement (NASBA Enforcement Guidelines) and to provide guidance to the California Board of Accountancy (CBA) on whether it meets or exceeds the CBA's own enforcement practices pursuant to Business and Professions Code (BPC) section 5096.21(c)(2).

### **Action(s) Needed**

The MSG will be asked to discuss NASBA's Enforcement Guidelines, and provide guidance to the CBA on whether it meets or exceeds the CBA's enforcement practices.

### **Background**

NASBA and its Enforcement Resources Committee has developed a model of "Guiding Principles of Enforcement" as a resource to boards of accountancy. The intent is to provide a guideline to boards of accountancy for proactive enforcement that promotes consumer protection. This model additionally takes into consideration the varying characteristics of each board regarding number of licensees, volume of complaints, and available resources, amongst others.

BPC section 5096.21(a) requires the CBA to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public. If this determination shows the public is at risk, the licensees of those particular states would, following a rulemaking by the CBA, revert back to using the prior practice privilege program with its notice and fee provisions. These determinations are to be made on and after January 1, 2016.

BPC section 5096.21(c) allows another method by which states can be deemed to protect the public, which would allow them to remain in the no notice, no fee practice privilege program. One of the steps in this method requires the CBA to, upon a majority vote at a regularly scheduled board meeting, issue a finding after a public hearing that the NASBA Enforcement Guidelines meet or exceed the CBA's own enforcement practices.

## **Analysis and Guidance From the MSG Regarding NASBA's Guiding Principles of Enforcement**

Page 2 of 2

### **Comments**

The NASBA Enforcement Guidelines serve as the criteria developed by NASBA and its Enforcement Resources Committee to aid boards of accountancy in promoting consumer protection by enhancing enforcement best practices. The NASBA Enforcement Guidelines will be presented at the May 28, 2015, joint meeting of the CBA and MSG, and the MSG may wish to refer to the joint meeting materials as it discusses this item.

The NASBA Enforcement Guidelines includes the following:

- Time Frames for prosecuting a complaint from intake to final disposition,
- Enforcement resources to adequately staff investigations,
- Case management,
- Disciplinary guidelines; and
- Internet disclosure.

Representatives of NASBA will be at the May 28, 2015, joint meeting of the CBA and MSG to discuss the NASBA Enforcement Guidelines and to answer any questions.

During the May 28, 2015, joint CBA and MSG meeting, staff will present a comparison of NASBA's Enforcement Guidelines and the CBA's enforcement practices. Staff are asking the MSG to provide guidance as to whether NASBA's Enforcement Guidelines meet or exceed the CBA's own enforcement practices pursuant to BPC section 5096.21(c)(2).

The CBA will consider the MSG's guidance on this matter under CBA **Agenda Item X**. at its May 28-29, 2015 meeting when it will decide whether to issue a finding that the NASBA Enforcement Guidelines meet or exceed its own enforcement practices.

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

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff do not have a recommendation on this agenda item.

### **Attachment**

None.



**DEPARTMENT OF CONSUMER AFFAIRS**  
CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
SACRAMENTO, CA 95815-3832  
TELEPHONE: (916) 263-3680  
FACSIMILE: (916) 263-3675  
WEB ADDRESS: <http://www.cba.ca.gov>



**MSG Item V.**  
May 28, 2015

**CBA Item IX.D.4.**  
May 28-29, 2015

## **Discussion About the Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21**

**Presented by:** Matthew Stanley, Manager, Examination and Practice Privilege Units

---

### **Purpose of the Item**

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with an opportunity to discuss items related to the timeline regarding determinations to be made pursuant to Business and Professions Code (BPC) section 5096.21.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

In 2012, the Legislature revised the practice privilege law to eliminate the requirement for out-of-state licensees to provide notice and fee prior to obtaining a California practice privilege. BPC section 5096.21(a) requires the CBA to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public. If this determination shows the public is at risk, the licensees of those particular states would, following a rulemaking by the CBA, revert back to using the prior practice privilege program with its notice and fee provisions. These determinations are to be made on and after January 1, 2016. In making the determinations, the CBA is required to consider three factors as follows:

- 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.
- 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 website to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.
- Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

## **Discussion About the Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21**

Page 2 of 2

The timeline for making these determinations (**Attachment 1**) was approved by the California Board of Accountancy (CBA) at its March 2015 meeting.

### **Comments**

The timeline will be changed as needed or as directed. It is anticipated that this will become a standing, written report only, agenda item at future MSG meetings to keep members apprised of upcoming activities regarding the determinations made pursuant to BPC section 5096.21 (**Attachment 2**). It will also serve as an opportunity for members to discuss any of the items on the timeline.

Since its approval at the March 2015 CBA meeting, staff has added components to the timeline regarding the second path by which a state's licensees would be allowed to continue under California's no notice, no fee practice privilege program; specifically, the path by which a state's enforcement practices are deemed to be substantially equivalent to the National Association of State Boards of Accountancy's Guiding Principles of Enforcement.

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

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff do not have a recommendation on this agenda item.

### **Attachment**

1. Determinations Timeline
2. BPC Section 5096.21



**DEPARTMENT OF CONSUMER AFFAIRS**  
 CALIFORNIA BOARD OF ACCOUNTANCY  
 2000 EVERGREEN STREET, SUITE 250  
 SACRAMENTO, CA 95815-3832  
 TELEPHONE: (916) 263-3680  
 FACSIMILE: (916) 263-3675  
 WEB ADDRESS: <http://www.cba.ca.gov>



## Attachment 1

### Determinations Timeline

#### Preliminary Determinations Report to the Legislature

The practice privilege preliminary determinations report is due by July 1, 2015, as required pursuant to Business and Professions Code (BPC) section 5096.21(a). This code section requires the CBA to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public. If this determination shows the public is at risk, the licensees of those particular states would, following a rulemaking by the CBA, revert back to using the prior practice privilege program with its notice and fee requirements.

May 28-29, 2015	CBA approves the final version of the Preliminary Determinations Report
July 1, 2015	Preliminary Determinations Report due to Legislature

#### NASBA's Guiding Principles of Enforcement

The National Association of State Boards of Accountancy (NASBA) developed Guiding Principles of Enforcement (NASBA Enforcement Guidelines). The CBA must issue a finding of whether the NASBA Enforcement Guidelines meet or exceed the CBA's own enforcement practices pursuant to BPC section 5096.21(c)(2).

May 12, 2015	CBA receives NASBA's Guiding Principles of Enforcement
May 28-29, 2015	CBA issues a finding whether the NASBA Enforcement Guidelines meet or exceed the CBA's enforcement practices
July 23, 2015	CBA determines how best to compare other states' enforcement practices with NASBA's Enforcement Guidelines
August 2015	Staff implements the method for comparing other states' enforcement practices with NASBA's Enforcement Guidelines
Winter 2015/2016	Finalization of analysis of states' substantial equivalence to NASBA's Enforcement Guidelines

#### State-by-State Substantial Equivalency

In order to ascertain whether a state meets the requirements of BPC section 5096.21(a), the CBA must consider the three items listed in subdivision (b) as follows:

- 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.
- 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.
- Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

The CBA is required to make its determinations using these considerations on and after January 1, 2016.

March 19-20, 2015	CBA reviews state-by-state information and gives direction to staff on additional information needed
May 2015	Staff sends a letter requesting additional information from states
July 23, 2015	MSG reviews initial responses to letters requesting additional information from states
September 17-18, 2015	CBA reviews additional information provided by states and identifies any that are at risk of removal from the no notice, no fee practice privilege program
September-October 2015	CBA sends follow-up letters to at-risk states and works with NASBA to address deficiencies
October-December 2015	CBA gathers data on steps taken by at-risk states to remedy identified deficiencies
November-December 2015	CBA reviews information available on the Internet to determine whether disciplinary history is made available for each state
On and after January 1, 2016	CBA places all states into 3 categories regarding whether their licensees should remain or be removed from the no notice, no fee practice privilege program - Remain, Remove, Further Review
March 2016	CBA initiates Rulemaking to remove states from the no notice, no fee practice privilege program

- May 2016 CBA conducts a public hearing on Rulemaking and initiates 15-day notice of changes to include any states to be added from the Further Review category
- July 2016-March 2017 CBA continues reviewing states regarding whether their licensees should remain or be removed from the no notice, no fee practice privilege program as needed

Practice Privilege Final Report to the Legislature

BPC section 5096.21(f) states:

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.

At its initial meeting, the MSG decided to prepare a final report for the CBA to reference as it prepares its report to the Legislature by January 1, 2018.

- July 2017 CBA receives the MSG's Final Report
- September 2017 CBA reviews its draft Practice Privilege Report to the Legislature
- November 2017 CBA approves the final version of the Practice Privilege Report to the Legislature
- January 1, 2018 Practice Privilege Report due to the Legislature

**DEPARTMENT OF CONSUMER AFFAIRS**

CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
SACRAMENTO, CA 95815-3832  
TELEPHONE: (916) 263-3680  
FACSIMILE: (916) 263-3675  
WEB ADDRESS: <http://www.cba.ca.gov>

**Attachment 2****Business and Professions Code Section 5096.21**

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.



**DEPARTMENT OF CONSUMER AFFAIRS**  
CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
SACRAMENTO, CA 95815-3832  
TELEPHONE: (916) 263-3680  
FACSIMILE: (916) 263-3675  
WEB ADDRESS: <http://www.cba.ca.gov>



**MSG Item VI.**  
May 28, 2015

**CBA Item IX.D.5.**  
May 28-29, 2015

## **Discussion Regarding NASBA's Activities and CPAVerify**

**Presented by:** Matthew Stanley, Manager, Examination and Practice Privilege Units

---

### **Purpose of the Item**

The purpose of this agenda item is to allow the Mobility Stakeholder Group (MSG) the opportunity to discuss the National Association of State Boards of Accountancy's (NASBA) recent activities and CPAVerify.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

At its November 2014 meeting, the MSG requested that NASBA activities and CPAVerify be added as a standing agenda item to allow for ongoing discussion.

The Accountancy Licensing Database (ALD) is a national database of certified public accountant (CPA) license information. Only the CBA and other state boards of accountancy have direct access to ALD. CPAVerify is the public website that conveys information contained in the ALD database. If information is not available in ALD, it is not available on CPAVerify. The CBA maintains a link to CPAVerify on its website for the use of consumers and other stakeholders.

### **Comments**

#### **NASBA's Guiding Principles of Enforcement**

On May 12, 2015, NASBA released its Guiding Principles of Enforcement (NASBA Enforcement Guidelines). The NASBA Enforcement Guidelines will be discussed in detail during the May 28, 2015 Joint Meeting of the MSG and the California Board of Accountancy.

#### **Western Regional Meeting**

NASBA will be holding its Western Regional Meeting on June 17-19, 2015. This meeting will take place in Coronado, California at the Loews Coronado Bay Resort. Some of the major topics tentatively listed on the agenda are revisions to continuing education, changes to the Uniform CPA Examination, peer review, and ALD.

## **Discussion Regarding NASBA's Activities and CPAVerify**

Page 2 of 2

### Additional Information regarding NASBA's Activities and CPAVerify

At this time, there are still fifty jurisdictions participating in ALD and CPAVerify. NASBA continues its efforts to bring the remaining five onto the system. These five jurisdictions are Delaware, Hawaii, Michigan, Utah, and Wisconsin.

### Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

### Recommendation

Staff does not have a recommendation on this agenda item.

### Attachment

None.



**DEPARTMENT OF CONSUMER AFFAIRS**  
CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
SACRAMENTO, CA 95815-3832  
TELEPHONE: (916) 263-3680  
FACSIMILE: (916) 263-3675  
WEB ADDRESS: <http://www.cba.ca.gov>



**MSG Item VII.**  
May 28, 2015

**CBA Item IX.D.6.**  
May 28-29, 2015

## **Discussion Regarding Proposed Agenda Items for the Next MSG Meeting**

**Presented by:** Matthew Stanley, Manager, Examination and Practice Privilege Units

---

### **Purpose of the Item**

The purpose of this agenda item is to establish the items that will be included on the next agenda for the Mobility Stakeholder Group (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 topics are being proposed for consideration when determining the agenda for the next MSG meeting:

- Review additional information provided by staff from other states/jurisdictions that will assist the CBA in making its determinations as to whether allowing licensees of a particular state to practice in California under a practice privilege violates its duty to protect the public

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**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff does not have a recommendation on this agenda item.

### **Attachment**

None.