



**DEPARTMENT OF CONSUMER AFFAIRS**  
 CALIFORNIA BOARD OF ACCOUNTANCY  
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**CBA Item XI.A.**  
 May 23-24, 2013

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

**MINUTES OF THE**  
**MARCH 21-22, 2013**  
**CBA MEETING**

Marriott Costa Mesa  
 500 Anton Blvd.  
 Costa Mesa, CA 92626  
 Telephone: (714) 957-1100  
 Fax: (714) 966-8495

Roll Call and Call to Order.

CBA President Leslie LaManna called the meeting to order at 1:00 p.m. on Thursday, March 21, 2013 at the Costa Mesa Marriott. The meeting recessed at 5:00 p.m. Vice President Michael Savoy reconvened the meeting at 9:00 a.m. on Friday, March 22, 2013 and the meeting adjourned at 9:39 a.m.

CBA Members

March 21, 2013

|                                 |                        |
|---------------------------------|------------------------|
| Leslie LaManna, President       | 1:00 p.m. to 5:00 p.m. |
| Michael Savoy, Vice President   | 1:00 p.m. to 5:00 p.m. |
| K.T. Leung, Secretary-Treasurer | 1:00 p.m. to 5:00 p.m. |
| Sarah (Sally) Anderson          | 1:00 p.m. to 5:00 p.m. |
| Diana Bell                      | 1:00 p.m. to 5:00 p.m. |
| Alicia Berhow                   | 1:00 p.m. to 5:00 p.m. |
| Michelle Brough                 | 1:00 p.m. to 5:00 p.m. |
| Jose Campos                     | 1:00 p.m. to 5:00 p.m. |
| Herschel Elkins                 | 1:00 p.m. to 5:00 p.m. |
| Laurence (Larry) Kaplan         | 1:00 p.m. to 5:00 p.m. |
| Louise Kirkbride                | 1:00 p.m. to 5:00 p.m. |
| Marshal Oldman                  | 1:00 p.m. to 5:00 p.m. |
| Manuel Ramirez                  | 1:00 p.m. to 5:00 p.m. |
| Katrina Salazar                 | 1:00 p.m. to 5:00 p.m. |

CBA Members

March 22, 2013

|                                 |                        |
|---------------------------------|------------------------|
| Leslie LaManna, President       | Absent                 |
| Michael Savoy, Vice President   | 9:00 a.m. to 9:39 a.m. |
| K.T. Leung, Secretary-Treasurer | 9:00 a.m. to 9:39 a.m. |
| Sarah (Sally) Anderson          | 9:00 a.m. to 9:39 a.m. |
| Diana Bell                      | 9:00 a.m. to 9:39 a.m. |
| Alicia Berhow                   | 9:00 a.m. to 9:39 a.m. |
| Michelle Brough                 | 9:00 a.m. to 9:39 a.m. |
| Jose Campos                     | 9:00 a.m. to 9:39 a.m. |
| Herschel Elkins                 | 9:00 a.m. to 9:39 a.m. |
| Laurence (Larry) Kaplan         | 9:00 a.m. to 9:39 a.m. |
| Louise Kirkbride                | 9:00 a.m. to 9:39 a.m. |
| Marshal Oldman                  | 9:00 a.m. to 9:39 a.m. |
| Manuel Ramirez                  | 9:00 a.m. to 9:39 a.m. |
| Katrina Salazar                 | 9:00 a.m. to 9:39 a.m. |

Staff and Legal Counsel

Patti Bowers, Executive Officer  
Andrew Breece, Legislative Analyst  
Manny Estacio, Information Technology Staff  
Paul Fisher, Supervising Investigative CPA  
Dominic Franzella, Chief, Licensing Division  
Rafael Ixta, Chief, Enforcement Division  
Kari O'Connor, Board Relations Analyst  
Deanne Pearce, Assistant Executive Officer  
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)  
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)  
Matthew Stanley, Regulation Analyst

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)  
Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)

Other Participants

Kevin Berggren, Center for Public Interest Law (CPIL)  
Jason Fox, California Society of CPAs (CalCPA)  
Pilar Onate-Quintana, KP Public Affairs  
Joe Petito, The Accountants Coalition  
Jonathon Ross, KP Public Affairs  
Hal Schultz, CalCPA

## I. Report of the President

President LaManna announced that she has moved forward with establishing a taskforce to examine a possible transition to a single license type. President LaManna stated that Mr. Ramirez has accepted her invitation to serve as chair of the taskforce. The first meeting of the taskforce will be held in conjunction with the May CBA Meeting.

Mr. Elkins suggested that the taskforce include a public member to represent consumers.

### A. DCA Director's Report.

Ms. Bowers stated that April 1, 2013 is the deadline to submit Form 700 - Statement of Economic Interests.

### B. Educational Presentation – Role of CBA Legal Counsel.

Ms. Shellans and Mr. Sonne provided an overview of this item.

### C. Proposed 2014 CBA Meeting Dates.

**It was moved by Mr. Campos, seconded by Ms. Bell and unanimously carried by those present to approve the proposed 2014 CBA meeting dates.**

## II. Report of the Vice President.

### A. Recommendations for Appointment(s) to the Enforcement Advisory Committee (EAC).

**It was moved by Mr. Savoy, seconded by Mr. Ramirez and unanimously carried by those present to appoint William Donnelly to the EAC.**

### B. Recommendations for Appointment(s) to the Qualifications Committee (QC).

**It was moved by Mr. Savoy, seconded by Mr. Ramirez and unanimously carried by those present to reappoint Brian Cates to the QC.**

### C. Recommendations for Appointments/Reappointments to the Peer Review Oversight Committee

**It was moved by Mr. Savoy, seconded by Mr. Campos and unanimously carried by those present to appoint Jeffrey DeLyser to the PROC.**

III. Report of the Secretary/Treasurer

A. Discussion of Governor's Budget.

There was no report on this item.

B. FY 2012-2013 Mid-Year Financial Statement.

Mr. Leung provided an overview of this item.

Mr. Ramirez requested that staff provide additional information regarding the increase in benefit costs at the May CBA Meeting.

IV. Report of the Executive Officer (EO)

A. Update on Staffing.

Ms. Bowers reported that Janet Zimmer, her Executive Secretary, has been promoted to another unit within the CBA. Ms. Bowers stated that the Enforcement Division is recruiting for a manager in the Non-Technical Investigative Unit.

B. Update on 2013 CBA Meeting Locations.

Ms. Bowers stated that the July 2013 CBA meeting will be held in Sacramento. Ms. Bowers further stated that staff is working on locating a Bay Area location for the November 2013 CBA Meeting.

C. Update on 2013-2015 CBA Communications and Outreach Plan (Written Report Only).

There were no comments on this item.

D. Discussion Regarding Informing California Licensees of Mobility and Licensure Requirements for States Outside of California and Informing Out-of-State Licensees About California's New Practice Privilege Provisions.

Mr. Franzella provided an overview of this item. Mr. Franzella noted that while mobility has streamlined licensees' abilities for cross-border practice, there continue to exist various nuances from state to state. He noted that to assist California CPAs intending to practice in another state or out-of-

state licensee looking to practice in California, staff developed some initial plans for posting pertinent resources for mobility on the CBA website.

Ms. Anderson suggested inviting a representative from the National Association of State Boards of Accountancy (NASBA) to a future CBA meeting to discuss cross border practice requirements in other states.

#### V. Report of the Licensing Chief.

##### A. Report on Licensing Division.

Mr. Franzella provided an overview of this item (Attachment \_\_). He stated that the QC will meet on April 24, 2013 in Sacramento.

#### VI. Report of the Enforcement Chief.

##### A. Enforcement Activity Report.

Mr. Ixta presented an overview of this item (see Attachment \_\_). Mr. Ixta noted that the report includes a detailed breakdown of statistics for internal and external complaints. Mr. Ixta stated that the Enforcement Division has closed over 2,500 investigations and 309 investigations are pending. One percent of investigations have been pending over 24 months.

Ms. Salazar inquired about what constitutes complaints to be closed with no action.

Mr. Ixta stated that complaints closed with no action are typically external complaints where the CBA lacks jurisdiction, such as fee disputes.

Mr. Ramirez suggested that a chart be added to future Enforcement Activity Reports to further break down the peer review statistics.

Mr. Ixta stated that 10,000 reminder letters have been issued to licensees regarding peer review reporting and 1,800 citations were issued to licensees in January and February for licensees relating to peer review.

#### VII. Closed Session.

A. Pursuant to Government Code Section 11126(c)(3), the CBA Convened into Closed Session to Deliberate on Disciplinary Matters (Stipulations, Default Decisions, Proposed Decisions, and a Decision After Non-Adoption).

- B. Pursuant to Government Code Section 11126(e), the CBA Will Meet In Closed Session to Receive Advice from Counsel on Litigation (*David Greenberg v. Leslie LaManna, et al., Orange County Superior Court, Case No. 30-2013-00635372-CU-NP-CJC.*)

#### VIII. Regulations.

- A. Discussion and Possible Action to Adopt a Finding of Emergency and Proposed Text at Title 16, California Code of Regulations (CCR) Sections 5.5, 18, 19, 20, 21, 22, 26, 36.1, and 98 – Practice Privilege.

Mr. Stanley provided an overview of this item. Mr. Stanley stated that staff has removed the definition for “headquartered in California” from proposed section 18 as directed by the CBA at its January 2013 meeting. Mr. Stanley noted that the proposed language for section 22 allows the Executive Officer to send out a notice prior to issuing an Administrative Suspension Order to provide the practice privilege holder with 30 days to declare why the practice privilege should not be administratively suspended.

**It was moved by Mr. Oldman, seconded by Mr. Ramirez and unanimously carried by those present to direct staff to take all steps necessary to complete the emergency rulemaking process, including the filing of the final emergency rulemaking package with the Office of Administrative Law, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the Finding of Emergency and the Proposed Regulatory Language.**

- B. Discussion and Possible Action to Adopt or Amend Previously Proposed Text at Title 16, CCR Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71 and 87.1, and Adopt New Article 2.5 Regarding Retired Status.

Mr. Stanley overviewed the Office of Administrative Law’s (OAL) rationale for denying the CBA’s proposed regulations on Retired Status. He stated that OAL relied on case law which requires fees to be set based on the reasonable cost of providing the service.

**It was moved by Ms. Berhow, seconded by Mr. Ramirez and unanimously carried by those present to accept the changes made by staff to the proposed text as a result of the OAL’s disapproval; and direct staff to take all steps necessary to complete the rulemaking process, including seeking further extensions of time to complete the process from OAL and noticing the modified text and additional documents for an additional 15-day comment period. If during the 15-day public comment period, no adverse**

**comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations before completing the rulemaking process, and adopt the proposed regulations with the modified text.**

IX. Committee and Task Force Reports.

A. Enforcement Program Oversight Committee (EPOC) (Alicia Berhow, Chair).

1. Report of the March 21, 2013 EPOC Meeting.
2. Further Discussion Regarding Adding a Model Petition for Reinstatement Decision Checklist to the CBA Disciplinary Guidelines.

Ms. Berhow stated that the EPOC reviewed the Petition for Reinstatement Decision Checklist and suggested a change be made to option 2. Ms. Berhow further stated that for clarity, EPOC directed staff to add the word, “however” after the phrase “Petitioner’s certificate shall be fully restored.”

**It was moved by Ms. Bell, seconded by Mr. Ramirez and unanimously carried by those present that the CBA accept the EPOC recommendation to approve the Model Petition for Reinstatement Decision Checklist and add the word “however” after the phrase “Petitioner’s certificate shall be fully restored.”**

3. Discussion and Possible Action to Approve the Conceptual Revisions to the Manual Disciplinary Guidelines and Model Disciplinary Orders.

Ms. Berhow stated that the EPOC discussed a revision schedule for conceptual changes to the next edition of the CBA Disciplinary Guidelines. Ms. Berhow stated that the purpose for the schedule is to allow the CBA to consider proposed changes in smaller parts which should allow for better discussion and consideration.

**It was moved by Ms. Bell, seconded by Mr. Oldman and unanimously carried by those present that the CBA accept the EPOC recommendation to approve the proposed timeline and conceptual changes for the CBA Disciplinary Guidelines, with the flexibility for change as needed, and approve the conceptual changes.**

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

1. Report of the March 21, 2013 CPC Meeting.
2. Discussion and Possible Action on a Legislative Proposal to Amend Section 5096 (e) Requiring Notification to the CBA of Pending Criminal Charges for the Practice Privilege Set to Take Effect on July 1, 2013.

Mr. Savoy reported that the CPC discussed proposed statutory language that would require an out-of-state licensee, who is exercising a practice privilege in California, to notify the CBA of pending criminal charges.

**It was moved by Ms. Berhow, seconded by Mr. Oldman and unanimously carried by those present to accept the CPC recommendation to approve the proposed statutory language to require out of state licensees to report pending criminal charges to the CBA while practicing in California.**

C. Legislative Committee (LC) Larry Kaplan, Chair).

1. Report of the March 21, 2013 LC Meeting.
2. Update Regarding CBA Approved 2013 Legislative Proposal for Removing Specified Citation and Fine Information from the CBA Website.

Mr. Kaplan stated that staff reported they have been unable to locate an author thus far for a legislative proposal to remove citation and fine information from the CBA website after five years, provided the fine was \$1,500 or less.

**It was moved by Ms. Berhow, seconded by Ms. Brough and unanimously carried by those present to accept the LC recommendation to allow CBA staff more time to research and work with stakeholders to further discuss the proposal and report back to the CBA on its findings.**

3. Update on Newly Introduced Legislation.
  - a. AB 186 – Professions and Vocations: Military Spouses: Temporary Licenses.

**It was moved by Ms. Bell, seconded by Mr. Oldman and unanimously carried by those present to accept the LC recommendation to adopt a “Support if Amended”**

**position on AB 186, with the amendments to include:**

- **Clarification that boards have the authority to deny a provisional license pursuant to Business and Professions Code Section 480.**
- **Clarification that boards have the authority to suspend or revoke a provisional license if a board determines that the licensee violates a condition to practice in California.**
- **Require that the individual have a current, active, and unrestricted license with the authority to practice the identified profession in the state that issued the individual's license.**
- **Clarification regarding the status of a provisional license once a permanent license is issued.**

b. AB 291 – California Sunset Review.

**It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to adopt an “Oppose” position on AB 291 and to allow Mr. Ramirez to meet with the author of AB 291 to clarify that while the CBA supports efficiency and transparency, the bill may require a second review process which is unnecessary.**

c. Urgency Omnibus Bill.

Mr. Kaplan stated that staff will analyze SB 823 and provide an analysis at the May CBA Meeting.

4. Report on 2013 Legislation Being Monitored by CBA: AB 12, AB 186, AB 258, AB 291, AB 292, AB 376, AB 393, AB 555, AB 653, AB 771, AB 772, AB 827, AB 866, AB 887, AB 894, AB 1013, AB 1017, AB 1057, AB 114, AB 1219, SB 176, SB 207, SB 417, SB 532, SB 690, and SB 742.

Mr. Kaplan reported that staff did not request the LC to recommend a position on the additional bills being monitored as the bills do not contain substantive amendments or staff is working with the Department of Consumer Affairs to determine the impact on the CBA and other DCA entities.

5. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.

Mr. Kaplan reported that no additional legislation was identified.

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

1. Report of the January 25, 2013 AICPA Peer Review Board Meeting.

Ms. Corrigan stated that members of the PROC attended the AICPA Peer Review Board Meeting in San Diego. Ms. Corrigan further stated that topics of discussion included peer review guidance on the new clarity standards, revisions to peer review program guidance materials and an update on the National Peer Review Committee.

2. Report of the February 22, 2013 PROC Meeting.

Ms. Corrigan reported that the PROC approved its 2012 Annual Report and continued planning for its second on-site visit of CalCPA, scheduled for May 2013. Ms. Corrigan stated that the PROC discussed a letter from a licensee regarding the hardship that peer review causes for small CPA firms. She also stated that a taskforce consisting of two PROC members has been established to review responses to voluntary surveys regarding licensees peer review experience. Lastly, Ms. Corrigan noted that the next PROC meeting is scheduled for June 21, 2013 in Northern California

3. 2012 PROC Annual Report.

Ms. Corrigan presented the 2012 PROC Annual Report to the CBA members.

**It was moved by Ms Bell, seconded by Ms. Anderson and unanimously carried by those present to accept the 2012 PROC Annual Report.**

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

Report of the January 31, 2013 EAC Meeting.

Ms. Gerhardt stated that the EAC reviewed and concurred with staff recommendations on 11 closed files. Ms. Gerhardt further stated that the EAC conducted five investigative hearings, recommending four referrals to the Attorney General and one closure of an investigation. Ms. Gerhardt noted that there are no vacancies on the EAC and the next meeting is May 2, 2013 in Los Angeles.

F. Qualifications Committee (QC).

There was no report for this item.

XI. Acceptance of Minutes.

A. Draft Minutes of the January 24-25, 2013 CBA Meeting.

B. Minutes of the January 24, 2013 CPC Meeting.

C. Minutes of the January 24, 2013 LC Meeting.

D. Minutes of the January 24, 2013 EPOC Meeting.

E. Minutes of the December 4, 2012 PROC Meeting.

F. Minutes of the December 12, 2012 EAC Meeting.

G. Minutes of the October 24, 2012 QC Meeting.

**It was moved by Mr. Ramirez, seconded by Mr. Elkins and carried by those present to approve items XI.A-G. Ms. Brough abstained.**

XII. Other Business.

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

There was no report for this item.

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

1. Update on NASBA Committees.

2. NASBA Focus Questions Responses.

**It was moved by Ms. Brough, seconded by Mr. Ramirez and unanimously carried by those present to accept the NASBA Focus Question responses with an amendment to question 5, to address mobility requirements for other states.**

a. Accountancy Licensee Database (ALD) Task Force.

There was no report for this item.

b. Board Relevance & Effectiveness Committee.

There was no report for this item.

#### XIV. Closing Business

##### A. Public Comments.

There were no public comments.

##### B. Agenda Items for Future CBA Meetings.

Mr. Elkins suggested inviting a NASBA representative to a future CBA meeting to discuss reciprocity of mobility.

##### C. Press Release Focus

Ms. Pearce stated the topic for consideration for a post meeting press release the CBA legislative proposals in SB 823.

Mr. Ramirez suggested issuing a press release regarding the importance of complying with peer review reporting requirements.

Adjournment.

Vice President Savoy adjourned the meeting at 9:39 a.m. on Friday, March 22, 2013.

\_\_\_\_\_ Michael Savoy, CPA, Vice President

\_\_\_\_\_ K.T. Leung, CPA, Secretary-Treasurer

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